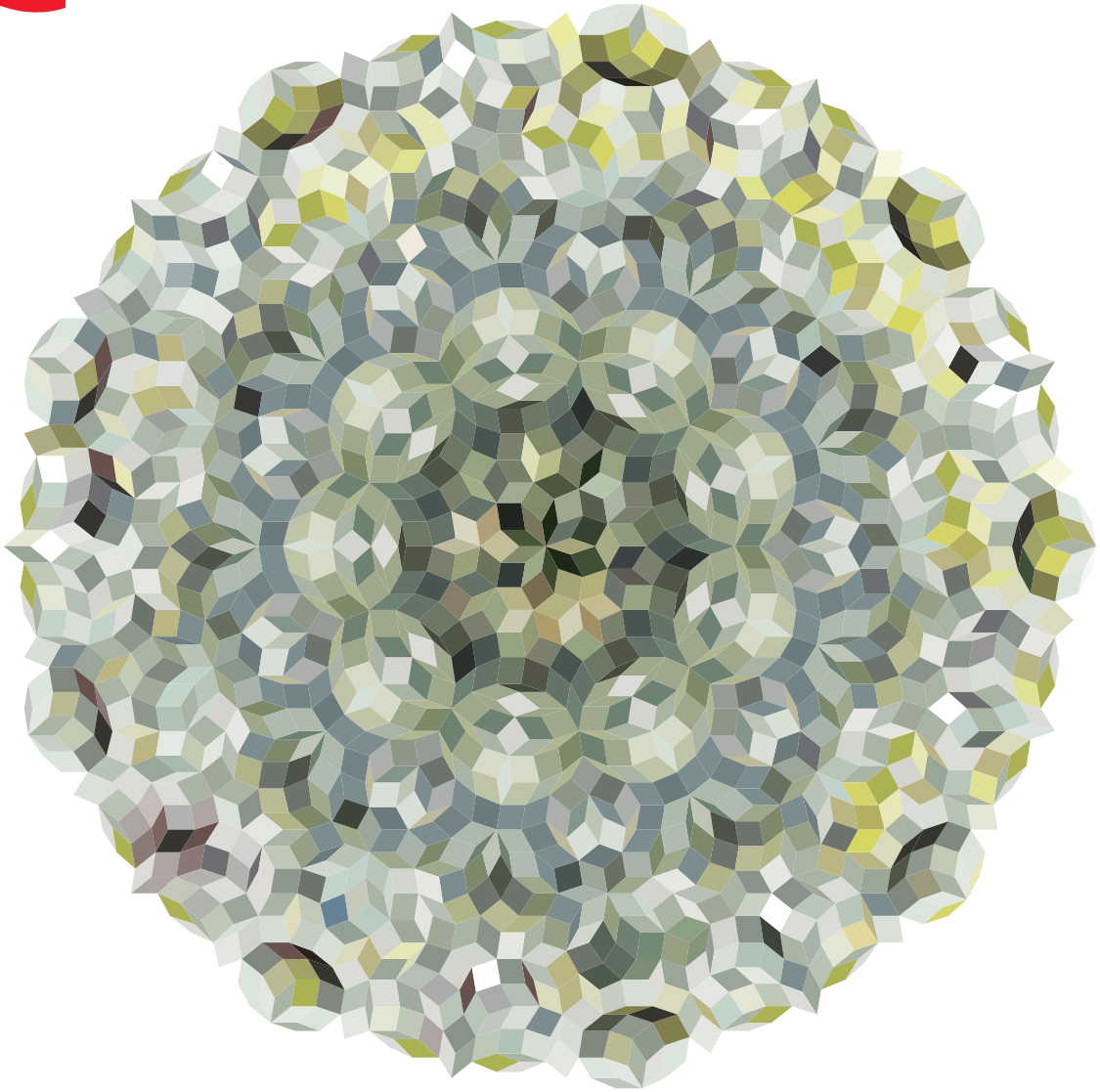


Mondaymorning

Realdania



CATALYTIC PHILANTHROPY

MORE ENGAGEMENT – GREATER IMPACT



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CATALYTIC PHILANTHROPY

Philanthropic foundations are currently undergoing significant change. Around the world, a number of frontrunners are emerging to assume a new role as catalysts for social change. By doing so, the concept of philanthropy is experiencing a powerful renaissance. In this new type of philanthropy, foundations no longer act as generous donors, instead they are catalytic partners assuming responsibility for putting complex challenges on the agenda. This new wave of change is called catalytic philanthropy.

Monday Morning, in cooperation with Realdania, has mapped the potential of catalytic philanthropy.

PHILANTHROPIC FOUNDATIONS COULD TRANSFORM SOCIETY

In recent years, philanthropy has assumed an entirely new role with some of the world's leading business people and politicians at the forefront of its transformation. These personalities represent a new generation of philanthropists who have said goodbye to being generous patrons in favour of taking on a business-oriented partner role. Catalytic philanthropy is still in its infancy, and experience in the field is still largely limited to the United States. However, catalytic philanthropy is well on its way to becoming the philanthropic model of the future that can add significant value to the work of philanthropic foundations.

Philanthropic foundations are currently in the process of taking on an entirely new role which could be vital in finding solutions to a number of major domestic and global challenges (see text box).

Internationally, a number of frontrunners are emerging to adopt active roles as strategic drivers of change. Leading the charge are some of the world's most powerful businessmen and politicians, including Microsoft founder Bill Gates, American banker David Rockefeller, eBay founder Pierre Omidyar, New York Mayor Michael Bloomberg, and former United States President Bill Clinton. These men represent a brand new generation of philanthropists who have ultimately said goodbye to traditional charity and their roles as generous donors in favour of a strategic and business-oriented brand of philanthropy. The new phenomenon is called "catalytic philanthropy".

In this new type of philanthropy, philanthropic foundations no longer act merely as donors. Instead, they act as strategic partners, who take responsibility for putting complex challenges on the agenda and who engage relevant stakeholders in the problem solving. The foundations hereby act as catalysts for social change in relation to some of the biggest challenges we face both nationally and globally,

PHILANTHROPIC FOUNDATIONS

Philanthropic foundations are defined in the publication as charitable, grantmaking foundations – that is, non-profit and business-run foundations as well as private institutions and associations which, to a varying extent, make charitable donations.

such as hunger, climate change, health, and the global financial crisis. The underlying notion guiding this change is that due to the strength of their finances, their organisation and their position in society, these foundations can contribute something valuable – aside from their money – and that the added value of their healthy bank accounts will be even greater if it is combined with a more catalytic focus.

"It is not enough for the foundations to hand out money left, right and centre if they want to maximise the impact of their investments – especially not when they want to help



solve significant and complex challenges such as the reform of the American education system or global poverty. Therefore, foundations in the field of catalytic philanthropy no longer sit and wait to be approached for help, instead they take the initiative and joint responsibility to solve problems in order to maximise the social value of their investments,” Senior Advisor at American consulting firm FSG Leslie Crutchfield says. Crutchfield is a co-author of the book “Do more than give”, which is one of the first books to analyse the model and perspectives of catalytic philanthropy.

Catalytic philanthropy is still in its infancy, and the experience with this type of philanthropy is still primarily limited to the United States. But according to Matthew Bishop, author of the book “Philanthrocapitalism” and US Business Editor of *The Economist*, it is a globally spreading trend. In particular, this is due to a recognition of the fact that social transformations require broad partnerships, and that economic restraint in both the public and the private sectors has created a need for new capital resources.

“Society lacks money. Both public and private funds are in deficit. This requires new players to take responsibility for changing society. The foundations must enter the field as active agents for change. They have seen the writing on the wall and know that their money and their privileged position in society are needed. Therefore, we are seeing more and more foundations take on a greater social responsibility – and by taking a catalytic approach, they are attempting to push for changes that are on another level and have a much greater impact than more traditional philanthropy,” he stresses. Apparently, the opportunities for foundations to become more catalytic are good. The foundations are independent, they have long-term horizons, they possess raw financial strength, and they focus on creating utility value in society. This makes them obvious agents for change. But if catalytic philanthropy is to grow into something bigger, the foundations will need to break away from their traditional donor role and transform the foundation sector into having a much more proactive, offensive, and collaborative work approach.

THREE TYPES OF PHILANTHROPY

Historically, the concept of philanthropy was born out of good-heartedness and a desire to do something for the greater good. Of course, the guiding notion behind the philanthropic foundations is that it is their duty to create public utilities. But whereas traditional public utilities was about the investor’s role as a donor – pledging money to help the needy – public utilities in catalytic philanthropy consist of creating greater social change in order to tackle more persistent, extensive and complex problems.

The foundations that are leading the way in catalytic philanthropy have set out to solve some of the biggest challenges the world has faced in recent years, and by doing so, they are moving into completely new territories for philanthropy:

The Ford Foundation wants to improve the American education system, the Bill & Melinda Gates Foundation wants to fight poverty and promote global health initiatives, Indian foundation Shiv Nadar is pushing for greater equality in India using education as a primary means, and the British Thomson Reuters Foundation is engaging news agencies as drivers of social change in countries where independent journalism is in short supply.

“These years, we see examples of more ambitious foundations having social change as the target of their investments. They are fighting large scale social problems and have realised that money alone can’t solve these kinds of problems. This has changed their focus considerably from donating money to charitable causes to investing in change,” says Mark Kramer, founder and Managing Director of FSG, author of a number of leading scientific articles and books on the topic of catalytic philanthropy.

In order to illustrate the different types of philanthropic foundations and businesses, Henrik Mahncke, who is a Research Fellow at Copenhagen Business School’s Centre for Civil Society Studies, refers to a well-known phrase from the debate on philanthropy: “Give a man a fish and you’ll feed him for a day – teach a man to fish and you’ll feed him for a lifetime”. Henrik Mahncke elaborates on the phrase by adding that “sometimes this isn’t sufficient either, and you need to get the whole fishing industry on board”.

Traditional philanthropy, which is still the dominant approach among the majority of philanthropic foundations, involves donating in a way that roughly compares to giving a hungry man a fish. This is a pure form of charity, whereby the donor for example pledges money for a shelter for the homeless or for the construction of a new cultural monument.

Strategic philanthropy, which in recent years has gained ground among several philanthropic foundations, is characterized by the foundations trying to teach the hungry man to fish. This applies to foundations that, for example, will fund a report on the living conditions of the homeless or initiate a campaign to increase citizens’ participation in the cultural activities in their community.

Catalytic philanthropy takes these approaches a step further. In this case, the foundations are not satisfied with teaching the hungry man how to fish, they want to transform the entire fishing industry in order to provide better opportunities for the poor. Examples of this approach are foundations, whose activities target the fight against poverty or the development of the cultural sector.

In catalytic philanthropy, the foundation’s objective in issuing grants is not the one-off monetary award or the support of a single project. Instead, the objective is a broad

A NEW MODEL OF PHILANTHROPY

Characteristics of traditional, strategic and catalytic philanthropy

	TRADITIONAL PHILANTHROPY	STRATEGIC PHILANTHROPY	CATALYTIC PHILANTHROPY
<i>What is the objective?</i>	The foundation gives donations to charity	The foundation develops solutions	The foundation shares responsibility with its partners in its ambition to create a better world
<i>What is the key question?</i>	Which charitable organisations should be supported, and with how much money?	How can philanthropic organisations contribute to creating sustainable solutions?	How can a project achieve a catalytic impact with quantifiable results?
<i>Who bears the responsibility for success?</i>	The beneficiaries	The donors and the beneficiaries	The donors, the beneficiaries and the partners
<i>What is being supported?</i>	Individual projects and organisations	Individual projects and initiatives	Cross-sectoral processes
<i>What types of projects are being supported?</i>	Charitable standalone projects	Strategic standalone projects	The long-term process of change
<i>Which tools are being used?</i>	Applications, grants	Partnerships, knowledge, grants	All possible tools: networks, partnerships, in-house skills, advocacy, etc.
<i>How will the information be used?</i>	To compare requests for funding	As a good example	To support and inspire change
<i>How will the impact be measured?</i>	Donor evaluation	Project, donor and internal evaluations	The broad outcomes and tangible effects

MM **FIGURE 1** Catalytic philanthropy differs significantly from both traditional and strategic philanthropy in relation to its objective, partnerships, distribution of funds, tools and use of information.

Source — Mark Kramer, FSG and Monday Morning.

reaching and more substantial investment which focuses on creating long-term change (see figure 1).

GREATER SOCIAL RESPONSIBILITY

The rise of catalytic philanthropy has been motivated by the growing need and demand for foundations to take greater social responsibility. The global community faces a range of major challenges. Countries around the world are characterized by tight economies and pervasive capital drought. In addition, global challenges such as climate change, the global health crisis, the financial crisis, and the global food crisis have created a new global risk landscape (see figure 2 on page 8).

These problems can no longer be solved by governments and states alone. They are so complex and interrelated that they can only be solved through close cross-sectoral

partnerships in which the most important stakeholders assume binding roles. In consequence, societies all over the world are searching high and low for new investors and new sources of funding that can contribute to developing future social models.

“The time where foundations could live a quiet life is over. Internationally, they are under pressure to take on a greater and more active social responsibility. This tendency is reinforced by the leading foundations that work with catalytic philanthropy and which are being highly visible ambassadors for a new philanthropic approach. They have gained an understanding of how they can make a great impact and have proved that foundations can achieve more than financing opera houses. They have proved that their funds can provide real change,” Matthew Bishop says.

The rise of catalytic philanthropy is evidence of the >

GLOBAL CRISES INTENSIFY THE NEED FOR NEW DONORS

Seven interrelated global crises that will determine national and corporate prosperity and security

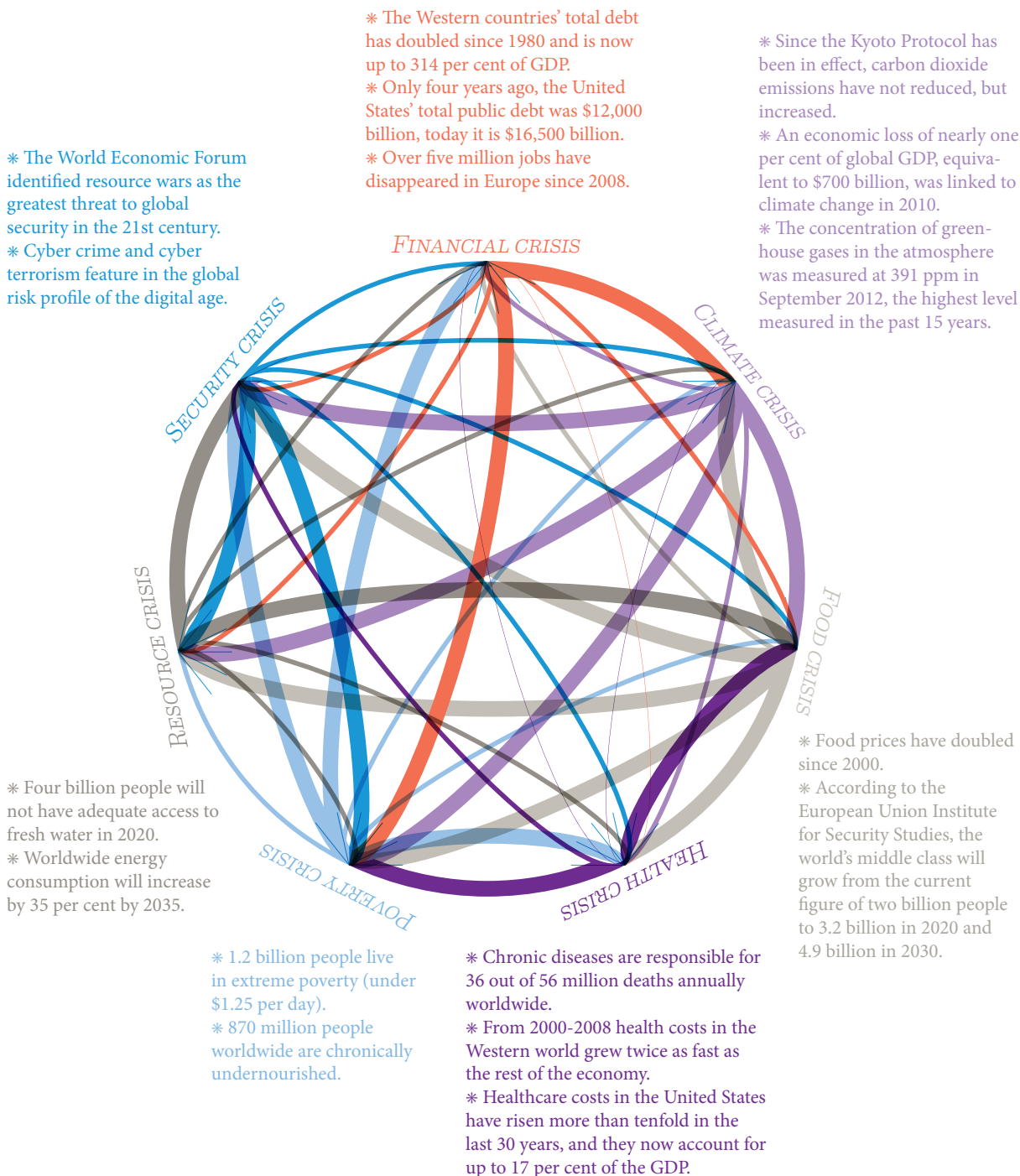


FIGURE 2 There is a growing need for new investors to step forward and help solve some of the major challenges that are having an impact on the international community.

Source — Monday Morning.

A BIG DIFFERENCE

Differences between traditional and catalytic philanthropy

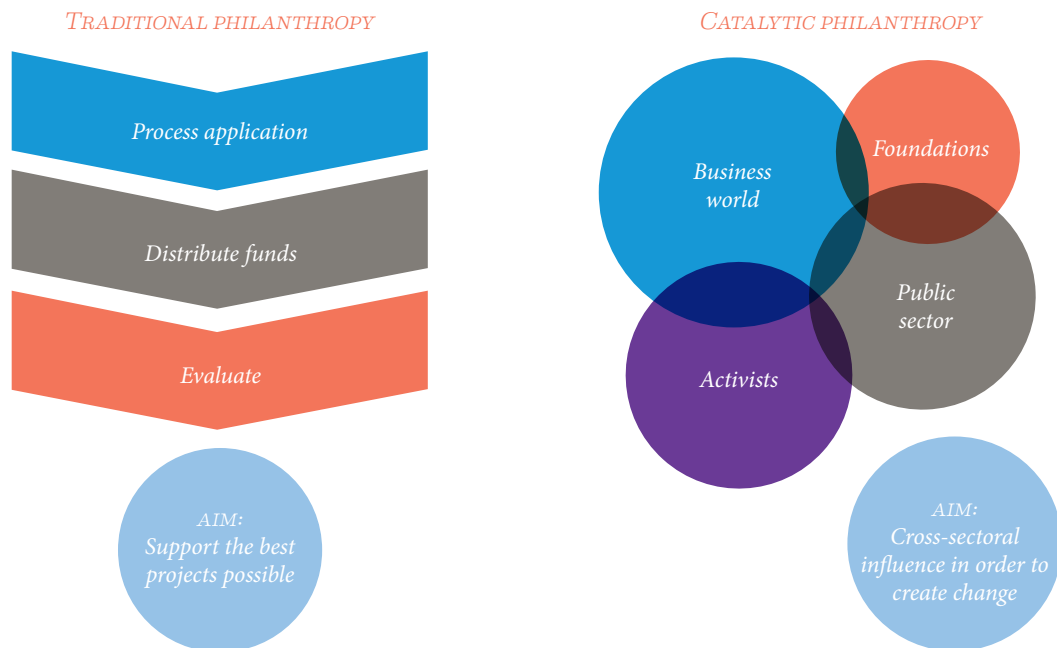


FIGURE 3 Catalytic philanthropy thinks in terms of partnerships and works to initiate development, involving a number of stakeholders across different sectors.

Source — Realdania and Monday Morning.

growing realisation in the philanthropic sector of the fact that foundations play a key role in the development of society – and that they have a responsibility which they, due to the force behind their objectives as charitable organisations, are obligated to fulfil.

“We have the money, the obligation, and the possibilities to make a real change. It is important that we aim to do it in the best way possible and that we aspire to initiate projects and investments that will help the many instead of the few,” says Emily Tow Jackson, Director of the Tow Foundation – an American family foundation working actively to apply the catalytic model to their philanthropic work.

FOCUS ON THE CATALYST’S ROLE

Regardless of all their good intentions and objectives, the philanthropic foundations face significant limitations when they choose to take on the role as agents for change in developing solutions to major and complex social challenges.

In this context, their finances do not stretch far, even though several of the foundations in catalytic philanthropy have billions of dollars to their names. Even though the

collective donations from the philanthropic foundations in the United States added up to US \$41 billion in 2011, this amount could only pay for four days of America’s public spending. Similarly, the collective contributions from foundations in

Denmark in 2010, which amounted to almost DKK 6.7 billion, could only finance Denmark’s public spending for just over three and a half days.

“Effective philanthropy is about being able to scale up your efforts and make a positive change for many people. A foundation can’t come up with a solution to a complex problem on its own. The global food crisis, education reforms, or skin cancer prevention, for example, can’t be addressed by a single philanthropic foundation – it doesn’t have the money, political engagement, or the skills to do it. But by engaging in partnerships, the foundation can be the decisive force that makes changes happen. That’s what is exciting about philanthropy,” Henrik Mahncke says.

According to Mahncke, it also makes the area appealing that the foundations focus their attention on complex areas of interest which involve many different stakeholders.

“A foundation can’t come out of left field and make >



Detroit was set to become a ghost town, prompting the American Kresge Foundation to step in and form partnerships with local citizens, officials, and businesses and together embark on a comprehensive urban renewal process.



changes happen. It requires an extensive process, collaboration, and partnerships with the relevant stakeholders. For instance, when a philanthropic foundation wants to tackle bullying in the Danish school system, it needs to be articulate and engage all of the relevant stakeholders in the process. Teachers, students, parents, politicians, public authorities, and experts should all enter into the equation,” he says.

The philosophy behind catalytic philanthropy is that the foundation neither can nor should drive social changes by itself. Instead, it should act as a catalyst for positive development. The foundation that practises catalytic philanthropy engages other stakeholders in accordance with the problem it wants to address (see figure 3 on page 9).

One example is the Bill & Melinda Gates Foundation, which, in cooperation with global health and national education research institutes, works alongside governments, authorities, organisations, companies and citizens to ensure broad support – and in turn also ensure the greatest possible impact and value – for their investments.

Another example is the American Kresge Foundation, which aspire to implement a major urban renewal project in Detroit through partnerships with local citizens, authorities, and businesses.

Mark Kramer stresses that this role will change the foundations’ position and function significantly:

“In catalytic philanthropy, a foundation is no longer solely responsible for creating change. The role of the foundation is to use its funds, knowledge, resources and network to initiate an inclusive process that pulls others on board. The foundation is setting the new agenda and engaging others in a broader campaign for change.”

PHILANTHROPY INSPIRED BY BUSINESS

Catalytic philanthropy has set new standards and created an entirely new model for the way in which foundations donate. A significant aspect of this involves conjoining philanthropy with commercial strategies and tools. The Bill & Melinda Gates Foundation is an obvious example, having a clearly business-oriented approach to philanthropy in which strategic thinking, the catalyst’s role, and the use of partnerships are key aspects.

At the Forbes 400 Summit on Philanthropy, which gathered more than 150 of the United States’ wealthiest philanthropists last June, Bill Gates described catalytic philanthropy as “my new model for giving”. He outlined his vision for catalytic philanthropy and described it as a new approach to philanthropic work, by which creating new markets and using capitalist approaches “help the needy in long-term, systemic ways”.

Foundations who take a catalytic approach lean towards more commercial and business-oriented models. This is reflected in their focus, organisation, strategic thinking, methods, and tools, as well as in the way in which they use their networks:

Focused effort. Catalytic foundations operate with a narrow distribution strategy, concentrating their efforts on single issues. In traditional philanthropy, foundations typically spread their investments over a number of interests.

New organisation. Catalytic foundations typically enhance their ratio of “entrepreneurial” employees – that is, employees who possess a range of entrepreneurial characteristics, for instance in relation to developing new concepts, projects, and partnerships. In addition, several of the foundations employ experts working within its field, as well as skilled communications and public relations professionals, who can generate awareness of the social challenges the foundation is focusing on and help form new partnerships.

Clear strategy and evaluation. The catalytic foundations have clear strategic plans for the next five or ten years which set the focus for their work. The foundations openly lay out their areas of focus, their ambitions, and the approaches they take when forming partnerships. In addition, they regularly evaluate and measure their investments. This form of practice applies to American foundations such as The William and Flora Hewlett Foundation, Bill & Melinda Gates Foundation, and The William J. Clinton Foundation.

Communication. All the foundations mentioned above communicate the value or the impact of their investments, publishing on their websites what they have learned from their work and what the effect has been. “200 million children have been vaccinated against life-threatening diseases such as diphtheria, whooping cough, hepatitis B and yellow fever over the last decade” (Bill & Melinda Gates Foundation). “President Clinton’s vision and leadership have resulted in more than 2.6 million people with access to lifesaving HIV/AIDS treatment” (The William J. Clinton Foundation).

Multi-pronged philanthropy. The catalytic foundations work with a variety of tools and methods including research, development of new knowledge and products, implementation of major public campaigns, lobbying and advocacy, and mobilising stakeholders in domains such as economics and politics.

Networking and knowledge sharing. To a great extent, the catalytic foundation’s work is network-driven, especially when it comes to engaging stakeholders. This also applies to knowledge sharing among the foundations, which is fueled by the idea that sharing your knowledge with others will help you develop and qualify your own work. One example is the European association EFC, which currently has more than 230 members, who are working to promote knowledge sharing among the European foundations. Another example is The Giving Pledge’s members. Last year, >

THE NEW PHILANTHROPIST

The Giving Pledge is a philanthropic concept conceived by Bill Gates and Warren Buffet. The idea behind the concept is that The Giving Pledge's supporters are expected to make a commitment to donating a minimum of half their fortune to charity. When the concept was launched in 2010, ten wealthy families joined The Giving Pledge along with Gates and Buffet. Today just under 100 wealthy families and individuals have made this pledge, including Facebook founder Mark Zuckerberg, PayPal founder Elon Musk, and banker David Rockefeller.

35 of the members – including Warren Buffett, Bill Gates, Melinda Gates, Pierre Omidyar, and Elon Musk, founder of PayPal – held a closed meeting in order to help each other become better philanthropists (see text box).

WELL POSITIONED

The catalytic foundations are essentially well positioned to work as change agents. Their objectives to work for the greater good earn them the required legitimacy and their big funds give them access to the necessary means. In addition, their unique status in society gives them more freedom than other investors have to act as agents of change.

A foundation can afford to have a longer-term perspective than both politicians, who must consider the next election, and companies, who tend to think only as far as their next quarterly report. The foundations have the freedom to throw themselves into less secure, more experimental projects that do not necessarily promise success.

According to Matthew Bishop, the foundations are well positioned to take on the role as drivers of innovative projects (see figure 4).

“The DNA of the foundations give them a unique opportunity to take risks, because they are neither politically accountable to the public nor obliged to achieve economic returns. They can take on a number of challenges which the national government cannot handle and in which private businesses do not see commercial potential,” he says.

Bishop's view is shared by Bill Gates, who has argued on several occasions that the foundations have a unique role to play as drivers of innovative approaches.

In his essay on catalytic philanthropy, published in Forbes Magazine in September last year, he stressed that this role has come about because the foundations as investors do not expect an economic return from their invest-

ments. Instead, their projects' utility value goes straight to “poor people or sick people or society generally, all of whom stand to gain earth-shaking returns from the kind of innovations that business and government likely won't pursue unless philanthropy goes first”.

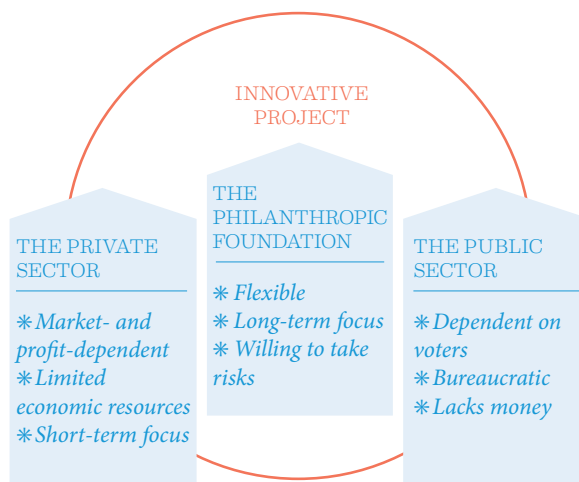
In addition to their exceptional position in society, the catalytic foundations often have extensive networks and a great deal of knowledge and know-how in relation to particular issues. This is partly due to their strong links to the business world – either because they are owned by companies or have been established by former business people – and partly thanks to their experience in dealing with certain types of problems. Both of these factors increase the foundations' capacity to initiate change at a high intellectual level and to involve the right partners in pursuing their ambitions.

SMALL FOUNDATIONS CAN ALSO MATTER

A fundamental belief in catalytic philanthropy is that it is not just the major global foundations that have the potential to carry out the philanthropic model. According to Henrik Mahncke, the whole philosophy behind this new

DRIVERS OF INNOVATION

Foundations' capacity to innovate – compared to the private and public sector



MM **FIGURE 4** On the basis of their independence, long-term focus and capital, the philanthropic foundation has better opportunities to innovate. The public sector is dependent on voters and is vulnerable to fluctuating party sympathies, and political banter. The private sector has a short-term focus in its investments and is depended on up- and downturns in the market.

Source — Monday Morning.

type of philanthropy is to give smaller foundations the chance to become co-creators of major social change.

“When it is not the size of the investment that is essential, but the foundation’s abilities to initiate contact with and involve other stakeholders, it creates new opportunities for the smaller foundations to increase their impact and added value significantly,” he says.

One example is the Rockdale Foundation, which over the course of only seven years has managed to generate substantial support for microfinance in the Middle East with a yearly budget of \$400,000. During this period, the number of microloans in the Middle East has grown from 40,000 to more than 3 million.

Another example is The William J. Clinton Foundation, which does not possess a great fortune itself, but makes use of the network that is generated by the former president on his travels around the globe to meet with heads of states and governments and raise awareness of pressing global challenges.

A third example is the Tow Foundation, which, despite only having four employees, has achieved significant results through its Juvenile Justice Initiative. One of its noted successes has been its efforts in raising the cut-off age for young people to have the right to be trialled in the juvenile justice system in Connecticut from 16 to 18.

“By applying a catalytic approach, we, as a minor player, gain far greater opportunities to create societal value and make our investments have an impact. We are increasing our opportunity to make a difference for many people,” Emily Tow Jackson says.

POSITIVE EXPERIENCES AND VISIBLE RESULTS

Past experience with the catalytic model of philanthropy can primarily be found in the United States. The catalytic approach is well suited to the status and roles that the American foundations have in society. With low taxes and a modest level of welfare, the United States has a strong tradition of philanthropy – including philanthropy that takes greater responsibility for some of the duties and challenges that are usually handled by the public sector in other parts of the Western world. Furthermore, the philanthropic foundations in the United States are required to make a minimum payout of five per cent of their net investment assets each year in exchange for their tax-exempt status.

This has created a strong philanthropic culture in which the foundations have the social legitimacy to play an active role in the development and management of American society. It is therefore natural that catalytic philanthropy has gained momentum in this part of the world (see figure 5).

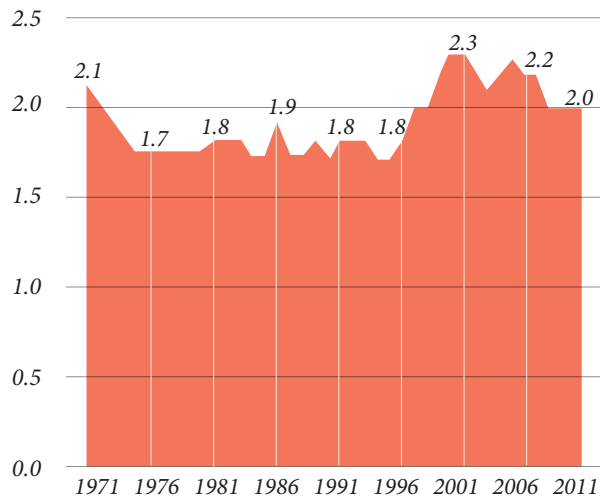
Experiences with catalytic philanthropy in the American foundation sector have been positive. The foundations working with the model have achieved positive results which have inspired the development of new projects, concepts and approaches.

“Our research shows that the foundations working with catalytic philanthropy rate this approach much more impactful because it creates tangible results and increases the value of their investments significantly. This model provides an opportunity for them to become agents for change and make a considerable difference,” Leslie Crutchfield says.

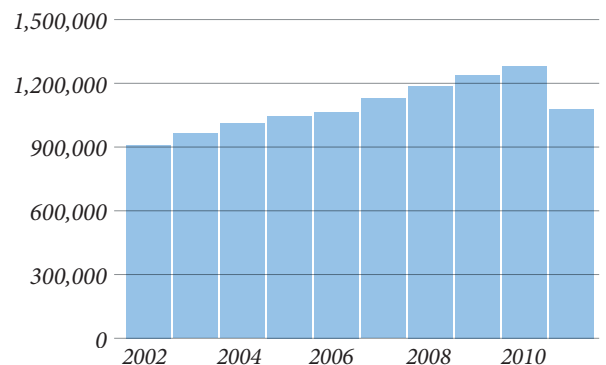
Many examples of this can be found: as mentioned, Rockdale Foundation has had great success in establishing

FOUNDATIONS– AN IMPORTANT SOCIAL INSTITUTION IN THE UNITED STATES

Foundations’ total donations, percentage of GDP 1971-2011 (adjusted for inflation)



Number of foundations 2002-2011



MM **FIGURE 5** For many years, American foundations have played an important role in the development of American society. There is a strong philanthropic culture in the United States.

Source — Giving USA.



microfinance in the Middle East, Kresge Foundation has created a whole new movement for urban development in Detroit, in which local citizens, businesses, and authorities are all taking part, and the Ford Foundation has started a pilot project to extend teaching hours at selected American schools as part of the Obama administration's education policy.

Several of the major foundations – led by the Bill & Melinda Gates Foundation – have embarked on projects in developing countries. A case study published in the Hudson Institute's annual report on private and public contribution towards foreign aid, the “Index of Global Philanthropy and Remittances”, shows, that it is three times more expensive for the American government to fund an African paediatrician's education and wages than it is for a private foundation.

One of the European foundations that has advanced well in the area of catalytic philanthropy is England's Thomson Reuters Foundation, which aspires to promote global press freedom. The foundation's assessment of its new approach to philanthropy has also been positive.

“We have deliberately walked away from the model of just writing out cheques and decided to use the tools and expertise we have to help change happen, spread the rule of law, and promote the freedom of the press around the world. We don't give grants any more but give what we are best at: news, information, and connections that allow action. Since we've done that, our impact has grown considerably,” the foundation's Director, Monique Villa, says.

DANISH AWAKENING

The Danish foundation sector differs significantly from the American sector in several areas. For example in Denmark, there is no legal requirement for a foundation to pay out a minimum percentage of its assets. Nor is there a strong tradition for foundations to assume the active role as a social driver.

But according to Anker Brink Lund, who is a Professor and Senior Researcher at Copenhagen Business School's Centre for Civil Society Studies, there is increasing pressure on the Danish foundations to take greater responsibility for social development – so there are signs of an emerging movement that can be compared to the new philanthropic movement in the United States.

“In Denmark, we are a long way from the American situation, but at a time when the country lacks money and our welfare system is under growing pressure, there is a greater need now than ever before for our foundations to take greater social responsibility – which will be an increasing demand from the public,” he says.

Anker Brink Lund emphasizes that the foundations need to be better at demonstrating what they achieve:

“Today, the foundations are under mounting pressure to document what they contribute to the greater good.

INCREASING PUBLIC FOCUS ON FOUNDATIONS

12 Danish foundations mentioned most in the media, 2002-2011

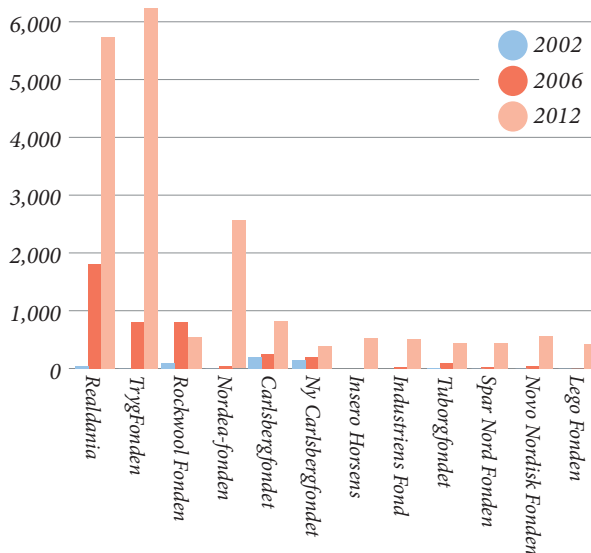


FIGURE 6 There is growing public focus on the Danish foundations. The number of media stories on foundations increased significantly from 2002-2011, particularly in comparison to the large philanthropic foundations.

Note — The study is based on national media sources.

Source — Den danske fondsanalyse 2012, Kraft & Partners and Monday Morning.

There is a growing debate about the foundations' obligations and about likely negative side effects on the greater good. Furthermore, there is a growing focus on how the foundations create value together or in their own right.”

His analysis is supported by “Den Danske Fondsanalyse 2012”, a report produced by the consultancy firm Kraft & Partners, which shows that media coverage of the large philanthropic foundations in Denmark has increased substantially in recent years (see figure 6).

“We can see now that the foundations are more in the public eye than they have ever been before. This indicates that there is greater focus on the roles they can and do play in society,” says Lars Bo Pedersen, the Senior Consultant at Kraft & Partners, who was responsible for the analysis.

The Foundation Committee also published an approximately 600-page investigation of the Danish corporate foundations last year. The Committee was set up by the government in the spring of 2012 with the aim of looking closer into the need to strengthen public oversight mechanisms. The report recommends establishing a common code for good management practice, and it puts forward a

number of amendments to the legislation for foundations, which aim at increasing control and transparency among the foundations. Several of the major foundations recognise that there is a growing need and demand for the foundations to take more responsibility.

“It is like the philanthropic sector has been in a slumber for 100 years, but it’s starting to wake up. There is no doubt that the Danish foundations are on their way towards assuming a greater degree of social responsibility. We are seeing that more and more philanthropic companies have recognised that they need to do more – they are visible and proactive and have more tools in their toolbox that they can use to increase the effect and value of their philanthropic activities. The foundations have huge potential to take on a greater role in social development,” Realdania’s Director Flemming Borreskov says.

But the shift towards a more catalytic approach is still an exception in the Danish foundation sector. According to Henrik Mahncke, it is still most common for foundations to be traditional donors. Of the 14,000 foundations currently operating in Denmark, only a small portion work strategically, and an absolute minority work directly with the catalytic model. According to Monday Morning’s mapping, these foundations include Realdania, Grundejernes Investeringsfond, Veluxfondene, Mary-Fonden, Egmont Fonden, and TrygFonden.

The Danish foundation sector is therefore dominated by traditional philanthropy, whereas more business-inspired philanthropy incorporating partnerships, strategies, and investment targets until now has remained unexplored. This was underlined by Monday Morning’s unveiling of the ten largest donations issued by Danish foundations in 2011 of which the majority were traditional donations rooted in a broad distribution strategy encompassing many areas.

The list included the Augustinus Foundation, which handed out a total of DKK 144 million across eight different areas in 2011 – ranging from disease prevention and lending of musical instruments, to causes related to church and religion.

Another example is The Nordea Foundation, which in 2011 donated a total of DKK 150 million, which was distributed between health, conservation, cultural, sports and exercise, and other charities.

The few foundations in Denmark that are moving towards a catalytic approach have a much narrower distribution strategy to support their primary objective. One example is TrygFonden, whose main objective is to foster a greater sense of security in Denmark. In 2011, the foundation distributed DKK 500 million across three key areas: 35 per cent of the funds went to safety-related projects, 38 per cent were given to health-related projects, and 27 per cent

supported initiatives with a focus on general wellbeing. Similarly, Realdania gave DKK 669 million in 2011 in support of projects that focused on development and change in urban centres in Denmark.

THE CATALYTIC FUTURE IS BRIGHT

According to Henrik Mahncke, a more catalytic approach to philanthropy requires that the foundations rethink their culture, their position, and their obligations:

“The philanthropic sector as a whole is still in a modest phase of development in terms of being a driver for real social and societal improvement. There are great opportunities for foundations to add value to their investments if they step up and play a more active and visible role. But this demands innovative thinking and development,” he says.

The Danish foundation sector is far from being a special case in this context. Despite the few front-running foundations who already work with catalytic philanthropy, the international philanthropic sector is still dominated by old dogmas and traditional approaches to philanthropy. An American study shows, for instance, that only 3 per cent of the American foundations work strategically from the experience they gain – that is, that they collect feedback on their completed projects and use it to determine their way forward.

“It is still a model pursued by only a limited group within the philanthropic sector. Today, only about 10 per cent of the American foundations are basing their work on catalytic philanthropy, but it includes many of the largest foundations,” Mark Kramer says.

There is, however, a consensus among the experts Monday Morning has interviewed for this investigation that the future development of catalytic philanthropy will only go one way – forward.

“This method holds great potential and there is reason to believe that within a generation catalytic philanthropy will become the most commonly used model by foundations. In the philanthropic sector, a growing awareness of greater global problems, as well as the increasing demand from society for the foundations to step up and take responsibility, is causing change,” Leslie Crutchfield says.

Crutchfield is supported by Matthew Bishop, who believes that the foundations currently working with catalytic philanthropy will help drive the model forward.

“During the coming years, there will be a momentum for this kind of philanthropy, partly because new funding sources are needed and partly because some of the more visible foundations have discovered how it works and how they can create change through this new approach to philanthropy. If the success continues, they will inspire others to do the same,” he predicts.

A QUICK GUIDE TO CATALYTIC PHILANTHROPY

Catalytic philanthropy has established a set of guidelines for a new model of philanthropic work. This is clearly evident among the frontrunners in the field, who have redefined their roles as donors by putting completely new tools into use. They have emerged as role models for a new philanthropic culture, which is based on a common understanding and a common conceptual framework that encompasses their work.

The following page presents six practical ways in which a philanthropic foundation can work with the catalytic model. Collectively, these pieces of advice can serve as a useful guide for foundations who want to take a new direction in their philanthropic work. The guide is not a definitive recipe for success as a catalytic foundation, but it highlights the six key factors foundations should consider when approaching the catalytic model.

The information is based on examples of leading catalytic foundations, a series of interviews with experts in the field, a roundtable discussion on catalytic philanthropy with major Danish foundations, and existing international literature on the topic.





1 KNOW YOUR CHALLENGE

Catalytic foundations are selective in focusing their attention and efforts on specific challenges. Their point of focus becomes the guiding principle for all of their activities. The catalytic foundation's entire strategy – developing projects, distributing funds, activating internal resources, establishing partnerships, and measuring impact – is based on its area of focus. It also involves conducting an extensive analysis of the problem's causes and severity, as well as determining how the foundation can make a difference in its chosen area.



4 YOUR VALUE IS YOU

In catalytic philanthropy, the foundations' own skills, knowledge, and networks are crucial resources. They are no longer just donors who write cheques, but active and skilled partners who steer the development of solutions from start to finish. The catalytic foundations therefore rely on having strong in-house capabilities in relation to knowledge, communication, networking, and project management. As the catalytic foundation's objective is to deliver more than just money, they must ensure they have the internal professionalism to fulfil their ambitions.



2 YOU ARE A CATALYST

Foundations in catalytic philanthropy work with major social and societal challenges. Therefore, they are dependent on other stakeholders if they want to make a real difference. Establishing and nurturing strong partnerships is therefore an essential starting point anytime a foundation embarks on an initiative. The purpose of entering into partnerships is to strengthen and support the stakeholders who are already engaged in your area of focus, or are relevant to include in your project. The aim is to establish a long-term and broad co-operation that stretches across investors and sectors.



5 COMMUNICATE WHAT YOU ARE DOING

Transparency, transparency, transparency – that is the mantra in catalytic philanthropy, where foundations are highly visible and are explicitly proactive in their communication in order to enhance the impact of their work. In this sense, the catalytic foundations focus largely on strategic communication that legitimates their work and engages and influences relevant stakeholders in the wider community. Catalytic philanthropy has therefore set new standards for the extent to which the foundations handle their documentation and transparency in relation to their activities and projects, as well as their organisation, finances, and objectives.



3 INNOVATION IS YOUR SECRET WEAPON

Taking risks and initiating experiments are fundamental parts of catalytic philanthropy. Catalytic foundations use their status in society as an essential resource in their work. They have the freedom to engage in the risks and experiments that others cannot afford, offering them unique opportunities to drive innovations and raise new perspectives that can lead to solutions.



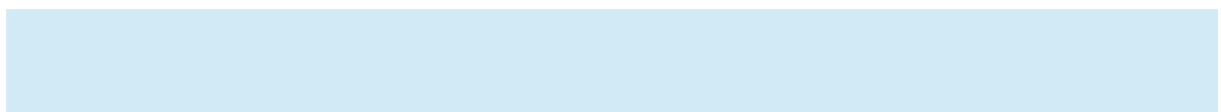
6 MEASURE YOUR IMPACT

Catalytic philanthropy is inextricably linked to impact measurement. There is an overarching focus among catalytic foundations on establishing clear and measurable outcomes and continually documenting the effect and value of their work. But the foundations do not only focus on the value of their own work, they also use national and global statistics to monitor broad developments within their area of focus. The criterion for success is therefore not only “what you do”, but “what we do”.

INTERNATIONAL FRONTRUNNERS DEFINE BEST PRACTICE

The Bill & Melinda Gates Foundation, Kresge Foundation, and Ford Foundation are all part of a new generation of philanthropic foundations. They represent a new way of thinking about philanthropy and they use catalytic philanthropy as a primary model for their work. Denmark still has limited experience with catalytic philanthropy, but some Danish foundations have implemented projects based on the catalytic model.

The following pages present ten case studies showing how international frontrunners in philanthropy are working with the catalytic model.



THE TEN CASES

1.

The Gates alliance's fight against malaria

The Bill & Melinda Gates Foundation has demonstrated international leadership in the GAVI alliance

2.

Microfinance has arrived in the Middle East

The Rockdale Foundation makes big differences with small investments

3.

From family foundation to catalytic frontrunner

The Tow Foundation bails out young criminals with groundbreaking methods

4.

Turning the daily agenda into social change

The Thomson Reuters Foundation is a frontrunner in the European foundation sector

5.

The new urban developer

Kresge Foundation is creating social change by engaging in new partnerships

6.

A foundation creating a safer Denmark

The Danish TrygFonden is using new alliances to make a measurable difference

7.

A large foundation with a commanding voice

The Ford Foundation uses advocacy campaigns as tools for leverage

8.

The catalytic superstructure

The Danish Realdania is ready to become a catalytic investor

9.

The foundation with no fortune

The William J. Clinton Foundation proves that a strong network can be more important than a flourishing bank account

10.

Working together to provide opportunities for the disabled

ONCE adds value to its philanthropic work by collaborating with Microsoft



1

THE GATES ALLIANCE FIGHTS AGAINST MALARIA

The largest and most visible catalytic foundation on the international scene is the Bill & Melinda Gates Foundation, which has become the poster child of the philosophy and the tools behind what is now known as catalytic philanthropy.

ACCORDING TO WHO, 200 million children have been vaccinated against life-threatening diseases such as diphtheria, whooping cough, hepatitis B, and yellow fever within the last decade, hereby preventing more than 5.4 million future deaths.

This is the result of a massive effort to improve health provisions for children in the world's poorest nations, which has been initiated and implemented by the Bill & Melinda Gates Foundation – using catalytic philanthropy as its model framework.

Improving global health has been one of the Bill & Melinda Gates Foundation's three strategic focus areas ever since the organisation was founded in 1994. The foundation has subsequently made the manufacturing and distribution of vaccines one of its key priorities.

As part of its strategic focus, the foundation invested \$750 million in setting up the GAVI Alliance in 2000. The aim was to embark on a collective, ambitious, and sustainable mission to save children's lives in developing countries by giving them better access to medical attention and facilities, and by making immunisation more widely available.

Through its work with the GAVI Alliance, the Bill & Melinda Gates Foundation has positioned itself as a catalyst for global partnerships in this field and has managed to mobilise a collaborative effort that can extend far beyond the reach of its own resources. The alliance was established as a public-private partnership, which currently includes a variety of stakeholders who have an interest in global health.

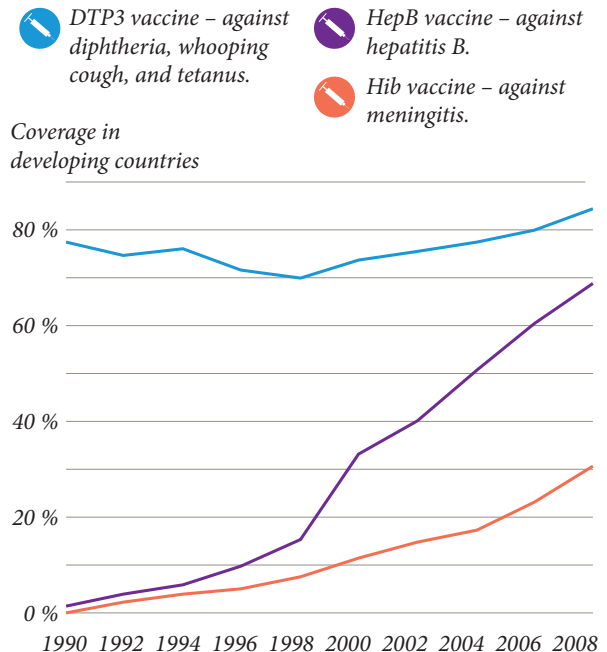
The stakeholders involved in the alliance range from governments in developing countries to UNICEF, WHO, the World Bank, citizens, vaccine manufacturers, and a number of health and research institutions – all of which have made financial commitments to facilitating and promoting vaccination in developing countries. The Bill & Melinda Gates Foundation's focus has therefore been on creating a co-financing model in order to – as the foundation puts it – “ensure long-term commitment and continued investment in the development in this area”.

The foundation itself has donated a further \$1.8 billion to the GAVI Alliance since its establishment.

The GAVI Alliance functions as a catalyst for development in global health on a number of different levels. As well as raising awareness of the benefits of vaccination, the

POSITIVE RESULTS

Vaccination coverage in developing countries, percentage



MM **FIGURE 1** Through The GAVI Alliance, the Bill & Melinda Gates Foundation achieved visible results in terms of increasing opportunities for the world's poorest children to be vaccinated against life-threatening diseases such as meningitis and diphtheria.

Source — Bill & Melinda Gates Foundation.

alliance has been directly involved in manufacturing vaccines, establishing distribution channels, and negotiating purchasing agreements between countries and producers.

In this sense, both the alliance and its collaborative partners throughout the entire value chain are involved in its mission to increase the proportion of vaccinated children in developing countries.

Therefore, it is not just individual project results that determine the foundation's criteria for success, but rather developments in global data that can be used as a benchmark for its work. And some of these developments have been spectacular: within the alliance's short life, the availability of vaccines in the world's poorest countries has increased considerably (see figure 1).

The alliance's goal is to maintain its efforts in the future. From now until 2015, it expects to accelerate the release of a number of new vaccines which, according to its own strategy, could save a further four million lives.

The alliance is just one of many examples of the Bill & Melinda Gates Foundation's catalytic approach to philanthropy, which has helped turn the foundation into an international role model. The foundation has committed itself to working with a variety of global challenges with the aim to instigate changes that can improve living standards, health standards, and opportunities for education in both the world's poorest countries and back at home in the United States.

The foundation's work is steeped in the notion that even though it is capable of achieving a great deal by itself, its impact is dependent on its ability to engage others. Or, as the foundation explains in its global health strategy: "The foundation's resources are nowhere near what are needed. These resources, while significant, represent only a small part of the overall funding picture for global health. (...) Other sources, particularly governments, provided far bigger shares."

2 MICROFINANCE HAS ARRIVED IN THE MIDDLE EAST

The Rockdale Foundation was one of the first foundations to work with catalytic philanthropy. It is a good example of how a foundation can make a big difference with a small investment.

THE ROCKDALE FOUNDATION has made its mark on catalytic philanthropy through its work in developing microfinance in the Arab world. The foundation's work in the 2000s is now considered one of the best examples of how minor investments and initiatives from a philanthropic foundation can lead to major changes.

At the end of the 1990s, the Rockdale Foundation launched a number of initiatives to raise awareness about the potential of microfinance as a viable model for lending in the Arab countries.

When Bob Patillo, the wealthy real estate agent from Atlanta who established the foundation, during a trip to Cuba noticed that many of the people there were benefiting from microfinance, he wondered why this lending model was practically non-existent in the Middle East.

Whereas several million people took advantage of this type of loan in Asia and Latin America in 1999, only

40,000 microloans had been issued in the Arab countries.

The Rockdale Foundation conducted an extensive investigation to find out why microfinance was a largely unknown entity in the Middle East. It discovered that very little literature on microfinance was available in Arabic, so it employed several people to translate some of the most relevant texts.

It also realised that at that time the organisation that specialised in microfinance in the region had only one employee, few resources, and no business plan. The foundation therefore provided the necessary resources to help develop and professionalise the organisation.

The foundation's third aim was to transform the region's status as a market overlooked by major global micro-lenders. It therefore implemented a number of research projects and feasibility studies to gauge the need and capacity for this type of lending support in the region, >

and arranged for the results to be disseminated to the relevant stakeholders.

The broad palette of initiatives, the Rockdale Foundation has put in place to investigate microfinance in the Middle East, emphasises its multi-pronged approach to the cause. It didn't just donate money towards developing a new centre or producing a publication, it looked at the problem from all sides in order to develop the necessary infrastructure and knowledge to make its new lending model flourish in the region.

The Rockdale Foundation's accumulated spending on its activities over seven years was \$400,000 per year. During this period, the number of micro-borrowers in the region rose from a modest 40,000 to 3 million.

The foundation's impact did not just extend to the num-

ber of borrowers, the project also functioned as a catalyst for an up-scaling of the whole infrastructure surrounding the microloan scheme.

The initiative therefore attracted a number of new stakeholders and investors who are working together to promote microfinance in the Arab world. Over the course of 7 years, 50 new institutions in the region – which are supported by 18 global philanthropic foundations – have started working with microfinance.

This explains why the Rockdale Foundation's fusion of partnerships, initiatives, and focus areas continues to be one of the best and most talked about examples of how this approach can create change and development opportunities for philanthropic foundations without necessarily requiring a huge economic backing.

3 FROM FAMILY FOUNDATION TO CATALYTIC FRONTRUNNER

The Tow Foundation is a prime example of a small, American family-operated foundation that has taken the leap from traditional to catalytic philanthropy – and has added significant value to its work.

PARTNERSHIPS and advocacy are the primary tools the small, American family-run Tow Foundation is using to improve conditions for at-risk members of the community. The Tow Foundation is working consciously and strategically with catalytic philanthropy by being a catalyst for an ambitious effort focusing on creating better conditions for young people who are in trouble with the law. The foundation operates as the central actor that leads the process in juvenile justice, engaging relevant stakeholders, and pushing the agenda forward.

The Tow Foundation's story is one of a traditional and locally based investor that over the course of a decade became a successful catalytic foundation which operates both regionally and nationally. The Tow Foundation was established in 1998 as a family foundation in the traditional philanthropic donor role, but made an ambitious strategic shift to the catalytic model in the 2000s. The process led the foundation to adopt a variety of catalytic tools and target its focus on socially marginalised citizens, including young offenders. The foundation's change of approach was inspired

by its desire to add more value and impact to its investments.

"If you want to make a difference for 10 or 15 persons, charity and donations can get you far, but if you want to create value for the masses, it takes much more than money – it takes a process in which the appropriate parties are involved and where the work is focused and long term based to create change on a far higher level," says Emily Tow Jackson, the foundation's CEO and daughter of Leonard Tow, a former Director in advertising and the telecommunications who established the foundation.

According to Tow Jackson, the process was not at all easy, it took time and required a period of learning and experimentation.

"In the beginning, there was a great deal of uncertainty about if and how we should move towards a more catalytic approach to philanthropy. We started out small, but today we have grown much more ambitious and confident that we can make a difference. We experience that suddenly we can create value at a far higher level and help more people," says Emily Tow Jackson.

A distinct example of the foundation's new philanthropic method is its "Juvenile Justice Initiative". The aim of the project is to improve the conditions and prospects of children and young adults who have come into contact with the court system in the American state of Connecticut. The foundation – in collaboration with a variety of relevant stakeholders – has embarked on an extensive co-ordinated mission to foster a greater understanding among the public that young offenders can be seen as a resource. With this perspective as a guiding framework, the foundation has strived to urge politicians to execute a number of legislative changes that can give young offenders a second chance and an opportunity to have a higher quality of life.

The Tow Foundation's work with "Juvenile Justice Initiative" is carried out to a great extent through partnerships with organisations that are working to secure better conditions and rights for young people in trouble with the law. The foundation is also engaged in national networks with other foundations operating in the same field, such as the Youth Transition Funders Group and the Council on Foundations.

In the foundation's own words, its partnerships and knowledge sharing "have provided valuable support to our work and helped to ensure that these successes in Connecticut resonate throughout the country".

The foundation is also working with advocacy, as it constantly strives to put the challenges facing young offenders on the political, public, and media agendas in order to encourage the development of better and fairer legislation.

One of the initiatives, the Tow Foundation has started in this respect, is "The Connecticut Juvenile Justice Alliance". The alliance consists of families, public authorities, and foundations, and it has succeeded in influencing government legislation, for instance, in relation to the age of criminal responsibility and the overrepresentation of young people from minority groups in the court system.

The foundation's efforts have primarily been motivated by research findings that show that the risk of young offenders remaining involved in a criminal environment increases significantly if they serve time in an adult prison.

The results from the foundation's work in the last 10 years have been remarkable. In 2010, the age at which young offenders could be tried under adult court jurisdiction increased from 16 to 18 years. In addition, the number of young people in contact with the legal system has almost halved, and the number of convicted youths has been reduced from 473 to 164 (see figure 2).

Today, among other initiatives the Tow Foundation is working towards up-scaling its success by introducing the same type of project in the state of New York.

THE EFFECTIVE PARTNERSHIP

Number of youths in Connecticut who come into contact with the legal system and receive a conviction

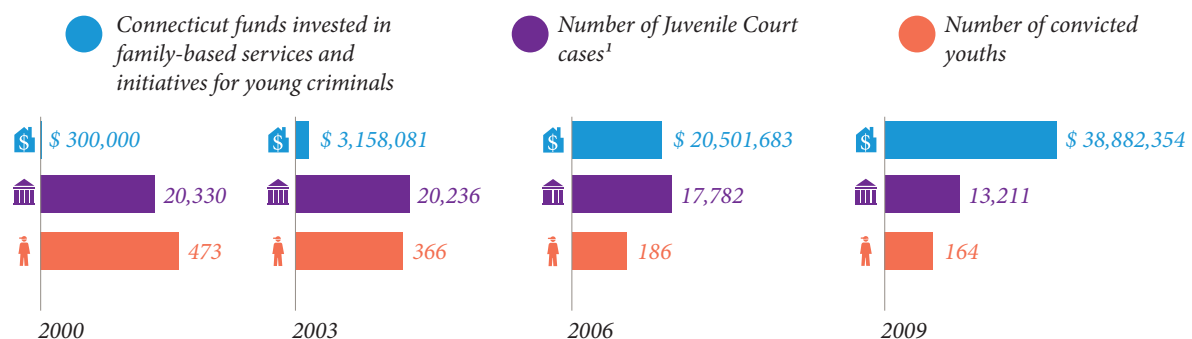


FIGURE 2 The Tow Foundation has made significant improvements in relation to juvenile justice in Connecticut over a short period of time by engaging in partnerships. Much more money is now being invested in improving conditions for young offenders, and at the same time, the number of young people coming into contact with the legal system and receiving a conviction has dropped markedly.

Note 1 — The American court that hears cases involving young offenders.
Source — The Tow Foundation.

4

TURNING THE DAILY AGENDA INTO SOCIAL CHANGE

The Thomson Reuters Foundation has dedicated itself to catalytic philanthropy and in doing so it has positioned itself as one of Europe's frontrunners in the field.

NEWS AND INFORMATION drive social change. This is the philosophy behind the English Thomson Reuters Foundation's work.

The foundation was established in 1982 by the world's leading news agency, Reuters, and it bases its philanthropic work on the agency's long-standing knowledge of the media and its strong journalistic competence.

The Thomson Reuters Foundation works consciously with a catalytic approach. Among other objectives, it aims to set agendas, disseminate knowledge, increase access to information, and create better legal conditions that facilitate social development – focusing on parts of the world where information and democratic rights are in short supply. Its overall objective is to create social change, strengthen the rule of law, and increase press freedom.

The Thomson Reuters Foundation has deliberately moved away from the traditional philanthropic approach of writing cheques to pledge support for various causes and has instead chosen to utilise the tools and expertise it possesses:

"We don't give grants any more but give what we are best at: news, information, and connections that allow action. Trusted information, if it reaches you at the right time, is a form of aid and an agent of change," the foundation's Director, Monique Villa says.

To a large extent, the foundation's work involves putting social challenges on the agenda via conferences, surveys, and specialist reports – and by collaborating with NGOs and companies around the world.

Through its work, the foundation has put the spotlight on some of the most pressing global challenges, such as women's rights, human trafficking, and sustainability.

Three initiatives are fundamental to the Thomson Reuters Foundation's work:

TrustLaw is the world's largest marketplace for free legal assistance. TrustLaw offers free advice to social entrepreneurs and NGOs around the world and also encourages

other legal representatives to provide this type of assistance. Over 1,000 members representing more than 250 law firms are currently involved in the initiative. In 2012, TrustLaw contributed \$24 million in free legal assistance.

AlertNet is a web-based news service that covers international disasters, such as the earthquake in Haiti. It is primarily targeted at aid workers, aiming to provide them with better information and more opportunities for knowledge sharing.

TrustMedia is a journalist and media training program which aims to raise journalistic standards by training journalists around the world. So far, 10,000 people from 170 different countries have completed the program.

The Thomson Reuters Foundation has also entered into partnerships with stakeholders in other countries in order to establish more locally based media projects, such as Aswat al-Iraq, Iraq's first independent news agency, and Aswat Masriya, an Egyptian website covering political news.

At the time of the Egyptian election, the website had more than 50,000 unique visitors per week, and since then it has also begun covering women's rights issues and business news in Egypt.

The Thomson Reuters Foundation knows what it needs to do to apply the catalytic approach successfully. According to Monique Villa, the catalytic model is essential in initiating significant changes:

"Catalytic philanthropy works and it can have a ripple effect. The most recent example of the impact of our work is the polls that we produce every year about women's rights. Activists in the countries where these rights are trampled have used our polls to advocate for change and make their cases for instance in India. This example and many others show that the model is successful. Thanks to this model, the impact of our projects is much bigger and we have better control over where the money goes," she says.

5

THE NEW URBAN DEVELOPER

Partnerships comprise one of the primary tools the Kresge Foundation has used in working towards social change. The foundation's case presents a good example of how partnerships can generate support for greater social changes.

DETROIT is experiencing a mass exodus. During the glory days of its auto industry, its population was more than 1.8 million, making it the fifth largest American city. Now, with just over 700,000 inhabitants, Detroit only comes in at number 18. Its downturn is far from over, with the number of residents continuing to decline (see figure 3).

This created big problems for Detroit's urban environment because almost a third of the city is deserted. With its deserted neighbourhoods, empty houses, abandoned commercial properties and closed schools, libraries, and police stations, Detroit is set to become a ghost town.

The situation in Detroit prompted the Kresge Foundation – with its headquarters located in Detroit – to launch an ambitious urban development project in 2010. The family-owned foundation has assets worth approximately \$20 billion which are derived from its American supermarket chain Kmart. In embarking on its project to reinvent Detroit, the Kresge Foundation started a process that brought together the city's philanthropic foundations, public authorities, and private stakeholders to work on a large-scale rescue plan for the city.

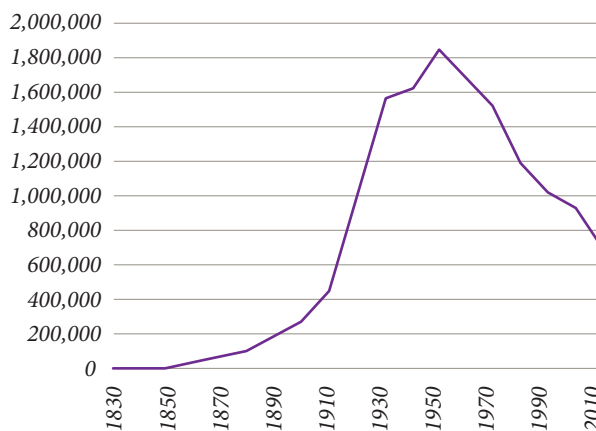
The result was a 357-page strategic framework called “Detroit Future City”, published in January this year, which set guidelines for a major revitalisation of the city that would create jobs and improve the economy for its residents, businesses, and public authorities.

The foundation's work has not stopped there. On publishing “Detroit Future City”, it announced that it would donate \$150 million over the next five years as a contribution towards realising the vision and ideas presented in the plan.

The project is therefore a good example of the catalytic approach, whereby a foundation no longer operates alone handing out single donations, but commits itself to a longer and more challenging quest in partnership with others. The Kresge Foundation realises that its project is simply too big to be carried out by a single foundation – even if it pledged a couple of hundred million dollars to the cause, it would not stretch far enough. It also realises that it is a

GHOST TOWN

Number of residents in Detroit 1830-2010



MM FIGURE 3 Detroit was once a thriving “Motor City”, but its population has decreased by 25 per cent in the last ten years and is now at the same level as it was 100 years ago.

Source — The Daily Mail, Census Bureau.

problem that cannot be solved by the public sector alone or one of the major car manufacturers. The solution requires a joint effort in which all of the city's stakeholders contribute to the idea and support it – which is a prerequisite for achieving a real development.

A coalition of more than 150,000 Detroit residents also took part in developing the plan, and internally the foundation has put together a team whose main task is to engage all of the relevant parties in the project. When the plan was published, the leader of Kresge Foundation's Detroit Program, Laura Trudeau, said “we hope that, with engaged community members, we can encourage others to work from this same roadmap so that Detroit gets the maximum benefit of the effort.”



Region Zealand's rescue helicopter is one example of TrygFonden's efforts to test new initiatives that can improve the sense of safety and security in Denmark.



6 A FOUNDATION CREATING A SAFER DENMARK

TrygFonden is one of the Danish philanthropic foundations that is most advanced in its catalytic thinking and operation – the proof is in its focused and partnership-driven efforts in the field.

TRYGFONDEN is working hard to create a safer Denmark by identifying and developing new agendas in the core areas of safety, health and wellbeing, and by being an attractive knowledge partner for residents, business, and public agencies.

Through its targeted funding strategy, TrygFonden has managed not only to raise awareness about safety, but to become a powerful catalyst for its agenda.

The foundation has incorporated the catalytic approach on a number of levels. It has implemented a five-year strategy based on its three core areas and has identified ten specific focus areas including road safety, health promotion and disease prevention, patient security, and efforts to combat violence and crime.

According to TrygFonden's Director Gurli Martinussen, a focused effort is needed if you want to achieve the desired impact and results:

"We want to make a measurable difference. Therefore, we have developed a prioritised strategy that guides and focuses our work. This means that we do not give money to projects that fall outside our focus areas. The goal is to add the most possible value to and – in particular – to be able to measure the value of our work."

The foundation also shares its knowledge and skills through education and training programs in collaboration with other stakeholders. Having accumulated considerable in-house expertise in various aspects of safety, the foundation regularly produces new knowledge that can be used to implement new initiatives.

Finally, an important part of TrygFonden's catalytic work is investigating potential solutions to safety and security concerns. An example of this is the rescue helicopter it donated to Region Zealand in 2010. A two-year test period of the helicopter produced positive results, and in 2012 it was brought into public use. The subsequent uptake of rescue helicopters

has since extended throughout the rest of the country.

The rescue helicopter is an example of TrygFonden's catalytic approach in taking on some of the tasks that are traditionally handled by the public sector. Its objective is not to carry out the actual operational tasks, but to initiate new projects and experiments which can lead to new initiatives and guidelines that foster a sense of safety or security among Danes. From this perspective, TrygFonden operates in the same way as several American catalytic foundations, especially the Bill & Melinda Gates Foundation.

In describing the Bill & Melinda Gates Foundation's strategy, its CEO, Jeff Raikes, notes: "We look at innovative investment and once we can prove the success, impact, and potential of our projects, we encourage governments to scale up the model. We take the risk of investing in an area that was previously not considered and once it is proved to work, we hand it over to the government."

TrygFonden also works directly with several of the tools used in catalytic philanthropy. As such, it has chosen a multi-faceted approach in its use of tools and measurements, from gathering information through opinion polls to more advocacy-inspired methods. The way in which the foundation thinks in terms of engaging in various partnerships with officials, other foundations, citizens, businesses, and other stakeholders, also falls in line with the catalytic model.

Gurli Martinussen emphasises that this is exactly how the foundation seeks to maximize the influence and impact of its investments:

"We want to be an active foundation that contributes something more than just money. We want to be a catalyst for long-term positive development. Therefore, it is necessary for us to use different models and tools, and to engage in partnerships and alliances with other stakeholders operating in the same area. This is how we can generate the most impact from our efforts."



A LARGE FOUNDATION WITH A COMMANDING VOICE

The Ford Foundation has many years' experience in using advocacy as a means of driving their philanthropic efforts. The foundation is a relevant case representing how specific tools in the catalytic approach can help create significant social value.

THREE METRO STATIONS IN MINNEAPOLIS. This was the result of a massive advocacy campaign initiated by the Ford Foundation in 2009 (see text box). Without the foundation's intervention, the city's authorities would have dropped the construction of the stations, situated in the city's poorest areas, because the construction costs had gone over budget.

The foundation's efforts to follow through with the construction were prompted by research results indicating that lower socio-economic neighbourhoods can significantly benefit from good infrastructure – and that these results could be applicable to the entire Minneapolis' urban development. The Ford Foundation did not enter directly into the debate over the stations, but chose to support local activists from a newly established organisation, Central Corridor Funders Collaborative, which became the community's voice in the rescue mission.

The campaign was effective. It was not long before all three stations were part of the planned metro line again, and the Central Corridor Funders Collaborative is now trying to raise money towards developing the areas along the metro line.

The Ford Foundation has many years' experience in using advocacy techniques as a driver for increasing their philanthropic work. It is currently running a gigantic urban development program, Metropolitan Opportunity, endeavouring to influence the development by engaging in collaboration with local activists, grassroots organisations, and other stakeholders.

Another Ford Foundation project, which is also a catalytic project based on advocacy techniques, is "Expanded Learning Time in Low-Income Schools". This project aims to increase the number of learning hours for students in American schools, and was inspired by a Harvard University study which indicated that extra contact hours lead to better student outcomes.

In implementing the project, the Ford Foundation has embarked on a transformative movement, experimenting

ADVOCACY AS A CATALYTIC TOOL

Advocacy is one of the primary tools used in catalytic philanthropy. Advocacy techniques are used to put the spotlight on issues and agendas with the aim of generating so much attention that key stakeholders – especially in the public sector – are compelled to change their perspectives or actions.

with the concept in a number of public schools in order to evaluate its impact on a larger scale. The Ford Foundation is currently financing expanded learning hours in approximately 1,000 schools encompassing around 460,000 students, and the foundation recently announced that it planned to double these figures within the next two years.

The foundation has covered the extra learning hours with a \$50 million donation, but in order to develop and substantiate the project it has supplemented its financial contribution with an alliance of over 100 of the country's leading experts and stakeholders in the education sector called the "Time to Succeed Coalition".

On the basis of the positive results it has achieved with the project so far, the Ford Foundation has launched a massive communication campaign targeted towards the public and – in particular politicians – to inform them of the benefits of expanded learning hours. Its advocacy efforts have so far been a success. The project has attracted a great deal of attention among national authorities – and the concept has been incorporated into local budgets. The Obama administration has earmarked \$4.5 billion for a broader implementation of the "Expanded Learning Time" model.



THE CATALYTIC SUPERSTRUCTURE

Catalytic philanthropy has become an essential superstructure in Danish foundation Realdania's philanthropic work. The story of Realdania's switch to the catalytic model reveals what is needed to become a catalytic investor.

A BOARD MEETING HELD IN DECEMBER 2012 turned out to be a defining moment for Realdania's future philanthropic activities. During the meeting, it was decided that a catalytic approach would now be at the centre of its philanthropic strategy.

The decision was not something that suddenly appeared out of thin air, but was the result of a deliberate development, which to a large extent was inspired by the front-running catalytic foundations on the international scene. Motivated by the powerful role catalytic philanthropy can play in society, Realdania had been considering switching to this type of philanthropy for a number of years and had already begun to apply the catalytic model to several areas of its work.

"Philanthropic foundations have a special position in society which gives them the freedom and possibility to be catalysts for social development," Realdania's Director, Flemming Borreskov, says.

Realdania's new strategy can be summarised on three levels:

Zooming in on a single problem. Realdania targets its focus on improving the built environment. Since its establishment in 2000, the association has worked on projects focusing on the city, urban constructions, and heritage buildings – and it has worked towards creating social improvement by putting these topics on the agenda. Realdania is now a major voice in this area of public debate.

In-house skills. Over the last few years, Realdania has made a thorough effort to develop in-house skills – both by employing more experts from the construction industry and by bolstering its competences in communication and management.

Partnerships. Realdania has a strong tradition for engaging in partnerships at all levels and it is currently collaborating with authorities, interest groups, local citizens, other foundations, and businesses towards a common ambition to improve Denmark's built environment. A specific example is Sustania, which Realdania co-founded. Sustania is an alliance that consists of, among others, former Californian

Governor Arnold Schwarzenegger, EU Commissioner Connie Hedegaard, DONG Energy, Monday Morning, Novo Nordisk, and DNV (Det Norske Veritas) – and its goal is to develop a model for a sustainable future.

Experimentation and innovation. Finally, Realdania's entire way of thinking is embedded in the catalytic approach. An example of this is its project with "the good hospice", which is a collaboration of a number of stakeholders who are working towards finding a replicable future hospice model. In this sense, Realdania utilises the unique opportunities, philanthropic foundations have, to drive experiments that can expand knowledge on best practice.

It has taken a long and comprehensive process to adapt Realdania's activities to the catalytic model, and the foundation's story therefore reveals how this type of transformation can take place.

"We have now chosen to take a catalytic approach. This has required a lot of work and much deliberation, and we have taken many small steps in that direction. But it has been a necessary transformation in order to gain the greatest possible impact and value of our philanthropic activities. Given the state of society today, this is something that is really needed," Flemming Borreskov says.

But the catalytic model has not superseded other types of philanthropy in Realdania's work.

"Adopting the catalytic approach has not meant a rejection of other approaches, but a significant superstructure that can help us to develop and increase the impact of our investments. Therefore, the catalytic model is not a dominant strategy, but it is a part of what we do," he says.

According to Realdania's Director, when working with this type of philanthropic model it is essential to be a learning organisation:

"It is crucial in this type of philanthropy to focus on impact measurements and evaluations and constantly refer to them in order to improve your work. We are still in a learning process, and therefore as a guide we are always striving towards the ideal of being a learning organisation."

This means that Realdania does not only evaluate its >

individual projects, but examines the overall philanthropic results. In addition, Realdania is part of the European Foundation Centre and has instigated the first joint Code of Conduct for Danish foundations called “Principles for Good Foundation Practice”.

A further requirement in working with the catalytic model is to have the courage and skills to participate in public debate. Realdania has been subject to public criticism on several occasions over the last decade, the most recent time being in 2010 when the broadsheet newspaper

Politiken published a series of articles criticising Realdania for being dominant and controlling in the collaborative process in connection to specific building projects.

“It demands courage to be a society-developing philanthropist. You need to be prepared and equipped to explain yourself to the public. If you want to be influential, you need to be ready to explain your motive and declare what you want to achieve. It’s about taking an active part in society, which is something the philanthropic foundations need to prepare themselves for these days,” Borreskov says.

9 THE FOUNDATION WITH NO FORTUNE

The William J. Clinton Foundation’s story shows that you don’t need money to create major social developments. Measured in terms of its assets, the foundation is not well off at all. But measured by its network, it is as rich as any other – and this network has contributed to creating and implementing significant society-changing projects.

PHILANTHROPY is about using your resources in the best way possible to make the world a better place. But an individual foundation’s resources usually never stretch far enough to find solutions to major, complex social problems.

A significant element of catalytic philanthropy, therefore, is being able to convince others to contribute their funds towards the cause your foundation is focusing on. This has been the key strategy of The William J. Clinton Foundation, which has former American President Bill Clinton at the helm.

The William J. Clinton Foundation does not have a lot of money itself, but it utilises the former president’s network to travel around the world and meet with key figures, such as Heads of State, political leaders, senior officials, central community institutions, and large companies. Its ambition is to increase awareness of and secure agreements on some of the world’s most pressing challenges. The foundation operates globally and has projects and partners located in North and South America, Africa, Asia and Europe focusing on five priority areas: global health, economic inequality, climate change, childhood obesity, and health and wellbeing.

Since its establishment in 2001, the foundation has experienced success with the catalytic approach. For example, in 2004 it managed to make an agreement with five

manufacturers of medical devices which ensured that people throughout the developing world gained access to a cheaper test for AIDS. The agreement meant that the cost of the test was reduced by up to 80 per cent in 16 selected Caribbean and African countries.

Another example was when the foundation launched a global energy renovation project of older buildings. The project was prompted by the statistic that cities omit three quarters of the world’s total greenhouse gas emissions, and that buildings alone are responsible for 50-80 per cent of this share – and therefore have a considerable impact on global warming. To finance the project, the foundation collected around \$4.9 billion from large international banks such as Deutsche Bank, Citigroup, and UBS. The idea was that the banks would loan the money to the various renovation projects and this money would be repaid with the savings made on heating and electricity bills.

The William J. Clinton Foundation, in collaboration with a number of global partners, has also instigated a range of other ambitious initiatives, such as the Clinton Health Access Initiative, which aims to strengthen the health systems in several developing countries. Another example is the Clinton Global Initiative, which explicitly works to encourage global leaders to promote an innovative >

development and implementation of solutions to some of the world's biggest problems, including climate change and global health.

The William J. Clinton Foundation in many ways represents a good example of the catalytic model. This is reflected in its choice to engage in philanthropic partnerships rather than being an individual donor, in its approach to impact measurement and communication – which it handles with

great professionalism – and in the fact that a significant amount of its work is based on substantial in-house experience in acting on the international stage.

Among the foundation's employees is Clinton's former adviser at the White House, Bruce Lindsey, and Robert S. Harrison, who had 22 years' experience as an investment adviser on Wall Street before taking over as CEO of the Clinton Global Initiative.

10 PROVIDING OPPORTUNITIES FOR THE DISABLED

The Spanish foundation Fundación ONCE is aiming to increase the value of its philanthropic work through an ambitious partnership with software giant Microsoft. The foundation is a good example of the partnership strategy that is a prerequisite for catalytic philanthropy.

TECHNOLOGY AND IT can be important devices to a more functional and high quality everyday life for people with a disability. Adapted technologies for the blind can help them become more self-reliant.

Established by the Spanish National Organisation of the Blind (ONCE), Fundación ONCE is the philanthropic branch of the ONCE Business Corporation. It has embarked on a cooperation with software giant Microsoft to provide better opportunities for people with disabilities in Spain – with a particular emphasis on the integration of disabled people at all levels of Spanish society and on eliminating barriers limiting their access to technology.

The cooperation began with a one-off project on IT training in 2004, which evolved into a long-term partnership that stretches far beyond the original collaboration – from producing knowledge in the field, to technological design, development, and testing of best practices, as well as setting new standards for training, employment, and political advocacy.

Ongoing expansion of the cooperation is a testament to its advantages for both parties, and last year Fundación ONCE's Vice President, Alberto Durán, said in an interview with Effect magazine that “the expansion of our partnership has taken place because in both organisations we have realised its benefits. Once this happens, progress is much easier.”

A fundamental element of Fundación ONCE and Mi-

crosoft's partnership is a clear business focus. The foundation recognises that the cooperation provides a high degree of synergy and has a number of flow-on effects that are mutually beneficial. For example, Fundación ONCE helps Microsoft develop and test its products, ensuring that disability-friendly products are created and, hereby, expanding Microsoft's customer base. The cooperation is an example of how foundations can enter into a collaboration with a company in order to promote their agenda, whilst still taking the company's commercial interests into account.

In his interview with Effect magazine, Alberto Durán emphasised how demanding such collaboration could be:

“Perhaps the main challenge was to establish the right communication channels between the right people within our respective teams and create a working relationship and mutual trust. This obviously takes time and effort from both sides,” he said.

In order to share their experiences, Microsoft and Fundación ONCE developed a teaching case for use in business schools and presented their partnership at business forums. Fundación ONCE also launched a platform that promotes socially responsible public procurement – an approach that is unique in Europe – in cooperation with several multinational companies and public institutions.

TOWARDS A NEW MODEL OF PHILANTHROPY

Monday Morning and Realdania conducted a roundtable discussion with directors and executives from some of the largest foundations in Denmark in order to qualify the debate on catalytic philanthropy – and to get their perspectives on how broadly the model can be applied to the Danish foundation sector. The participants identified the following opportunities and barriers as the most important to the future of catalytic philanthropy in Denmark:





THE GOOD ALLIANCE

The catalytic model has the potential to foster a new and stronger cooperation between stakeholders in society. It invites both civil society and the private and public sectors to participate in new alliances which have the common goals to make society better and to make social and societal changes that benefit everyone.

INNOVATION AND EXPERIMENTATION

Foundations have, by virtue of their unique position in society, good opportunities to innovate and experiment. New ideas, solutions, and actions are the basis of catalytic philanthropy. Therefore the model can, to an even greater extent, inspire and guide the philanthropic foundations to take on the role as community catalysts for change and innovation.

A NEW ROLE

Catalytic philanthropy creates a need to rethink and redefine what a philanthropic foundation is. It can create a new practice for philanthropy that gives foundations a stronger position in society. It also offers the foundations a greater opportunity to stand out as an important and valuable sector that society needs.

GREATER VALUE

To do something for the many is one of the key concepts of catalytic philanthropy. The model allows the foundations to increase the impact of their work significantly – and get more value out of every dollar they invest. The model can therefore strengthen the foundation's position and enhance its ability to fulfill its mission to maximise public benefit.

A POWERFUL SUPPLEMENT

Catalytic philanthropy need not be an either-or, it can easily be a both-and. The model encompasses many options that can inspire and guide foundations at different levels and with different modes of expression. Catalytic philanthropy therefore does not replace other types of philanthropic work, but it is an important superstructure and a supplement that is used in order to qualify and strengthen the work of foundations.



FROM DONOR TO PARTNER

Catalytic philanthropy demands new ways of thinking – in relation to how the philanthropic foundation should organise itself, how it should work, and the objectives it should pursue. In particular, catalytic philanthropy requires foundations to enter into partnerships and be more open to engaging in dialogue with the outside world.

A SILO MENTALITY

The catalytic model requires a great deal of support from the public. Foundations need to earn their communities' acceptance if they want to assume a more visible and active role as social and societal developers. If they are successful in gaining public support, they will also need to make sure that other stakeholders are able to join them in a multidisciplinary collaboration to help them achieve their goal. This requires a break from the present silo mentality.

IMPACT MEASUREMENT

Catalytic philanthropy calls for foundations to clearly communicate their results and the social value they create. This means that they need to be able to measure and document the specific impacts of their investments – and this includes being open about both their positive and negative experiences.

THE RIGHT SKILLS

The catalytic model is a new way in which to work with philanthropy, calling for a range of new skills, processes, and structures within each foundation. For a foundation to succeed, it will need to undergo a thorough and targeted development of its internal skills – this applies to both the regular staff and the management.

RELUCTANT RISK-TAKING

For foundations to discover new solutions and experiments, they must be willing to try new things. If they want the catalytic approach to put wind in their sails, they must dare to challenge themselves and be prepared to take risks with their projects. This means having the courage to think in new ways and embark on projects that do not guarantee success.



THE NEED FOR A NEW CULTURE AND WAY OF THINKING

Catalytic philanthropy fundamentally changes the rules for the philanthropic foundations that want to be visible and ambitious social developers. This new form of philanthropy calls for developments in thinking, ways of working, and skills within the foundations. Monday Morning has identified five basic requirements that are essential for success in this area.

When leading philanthropist Bill Gates says he doesn't "give to opera houses", he is hitting the nail on the head when it comes to the core philosophy behind catalytic philanthropy. The catalytic model is a new way of working with philanthropy which creates opportunities for philanthropic foundations to increase the impact and utility value of their investments. Foundations are now turning away from their traditional donor roles and becoming more visible and more ambitious social developers.

A number of factors have drawn the philanthropic sector towards the catalytic model and this has created particularly favourable opportunities for foundations working with this type of philanthropy. The contributing factors include the foundations' unique position in society, their increased wealth and donations in recent years, and society's growing need for new investors and for new, sustainable models to be developed.

But the catalytic approach is not a model that can be incorporated into a philanthropic foundation's work overnight. If foundations want to become important catalysts for solving complex major social challenges, there is a range of prerequisites they need to meet.

"The shift to catalytic philanthropy takes a professionalization of the philanthropic foundations' work. The model demands innovation, new working methods, and development of the foundations competencies," says Mark Kramer, founder and Director of the American consultancy firm FSG and author of a number of academic articles and books on catalytic philanthropy.

The catalytic approach is, in other words, fundamentally changing the way in which philanthropists operate. Therefore, foundations that wish to go in this direction need to implement a development and professionalization process that takes this into account.

On the basis of Monday Morning's comprehensive survey of leading catalytic foundations and interviews with Danish and international experts and practitioners in catalytic philanthropy, five basic requirements can be identified as essential for success in catalytic work. These include having a higher level of ambition, a new power structure, a different interpretation of your added value as a foundation, a focus on the entire value chain, and a willingness to undergo the transition towards becoming a learning organisation (see figure 1 on page 36).

A NEW CONSCIOUSNESS AND NEW AMBITIONS

When the Bill & Melinda Gates Foundation boasts a significant decline in malaria in developing countries and The William and Flora Hewlett Foundation attributes a change in legislation in California's education sector to their campaigning and networking efforts, it underlines the increase in the level of ambition within catalytic philanthropy.

Catalytic foundations have a strong awareness of what they can contribute to society, and several of the frontrunners in the area describe themselves as catalysts for change. This applies to foundations such as the Thomson Reuters Foundation, the small American, family-run Tow Foundation, and the Bill & Melinda Gates Foundation.

“Being a catalyst is the essence of our foundation,” says Director of the Thomson Reuters Foundation, Monique Villa.

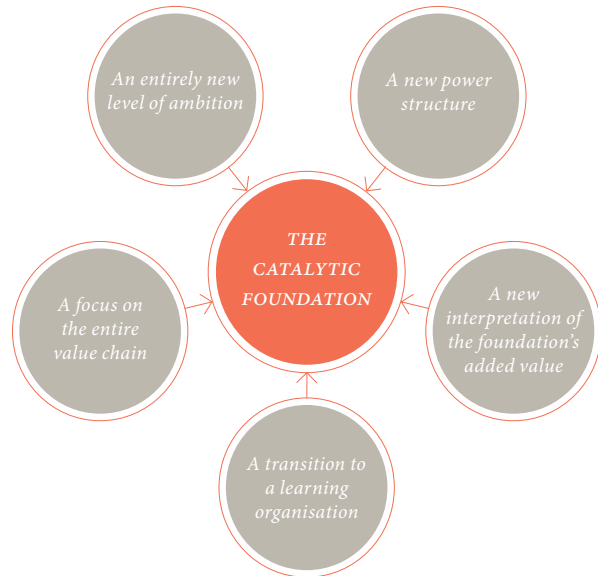
An indication of this growing ambition to bring about change is that the foundations measure and evaluate the success of their philanthropic activities based on developments in global and national statistics rather than focusing on the direct impact of individual projects. Another aspect is the catalytic foundations’ strategic considerations about what they should deliver and how they can do this in the best possible way. The front-running catalytic foundations base their philanthropic work on a carefully thought out plan which builds on their overall values, focus area, objective, main giving strategy, and the catalytic tools they use. This could apply to, for example, the foundation’s lifespan, its choice of priority areas, the number and types of employees at the foundation, and its selection of partners.

The catalytic foundations’ ambitions to have the greatest impact they can is also evident in their choice of focus areas. They invest their money where they expect they will be able to make a difference and avoid taking on projects that already involve too many stakeholders, or are too heavily influenced by the private or public sectors. They try to seek out “orphaned” societal problems – and zoom in on areas where there appears to be faults in the system and other stakeholders have not intervened.

“The starting point for the foundations is the complexity and cohesiveness of our modern world – they identify where changes are required and then try to enter these areas,” says

NEW PERSPECTIVES ON PHILANTHROPY

Five prerequisites for catalytic philanthropy



MM **FIGURE 1** Catalytic foundations represent a significant rethinking of the philanthropic sector – and set new standards for how philanthropic foundations can work.

Source — Monday Morning.

THE AMBITIOUS POLITICAL GAME-CHANGER

A strengthening of good governance practices and sound political leadership will give rise to a stronger Africa in the future. This is the ambitious aspiration of the Mo Ibrahim Foundation, which was established six years ago by Sudan-born English philanthropist Mo Ibrahim. The foundation is working hard to foster a culture of “good political leadership” in African countries.

Over the past six years, the Mo Ibrahim Foundation has offered a prize of no less than \$5 million – and a personal cheque of \$200,000 for life – to democratically elected African leaders who demonstrate good political leadership. The candidates are judged on three main criteria: They must have demonstrated exceptional leadership, served the full term of their period of government, and left the office at the end of their term.

So far, only three African leaders have fulfilled these criteria, and the prize has not been awarded for three out of the past four years.

Guiding the initiative is the Mo Ibrahim Foundation’s

belief that good political leadership is crucial to Africa’s future, and it is therefore important to recognise role models when they emerge.

“[We] try to look for African heroes, people who came to power democratically, governed well, made hard decisions, moved people out of poverty, changed the course of their country, and then when the time came, ensured a peaceful transition of power. Those are the people we need to have in Africa if we are going to fulfill our potential,” Mo Ibrahim said in an interview with *Foreign Policy* in October last year.

The foundation thereby aims to become a catalyst for political and social change in the African region and lay the foundations for a new political culture. Ibrahim elaborated on his perception of the foundation’s role in shaping Africa’s future in the interview:

“If in a year or two, there are no leaders who are up to scratch – up to our standard – this is not the fault of the foundation. This is the fault of African leadership, and we should not shy away from saying this,” he said.

Leslie Crutchfield, Senior Advisor at FSG and co-author of “Do More Than Give”, one of the first books to analyse the perspectives of the catalytic philanthropy model.

This high degree of ambition is also recognised by Flemming Borreskov, who is the Director of the philanthropic association Realdania, which has explicitly incorporated the catalytic model into their strategy.

“We have to carry out the tasks that are needed in society. This will challenge the natural law which states that there are certain problems foundations cannot and should not solve. The boundaries drawn around the role foundations are able to play are about to shift.”

The catalytic foundations’ ambitions also extend far beyond individual initiatives. They are not just satisfied with a one-off success or a completed project. On the contrary, their projects often inspire them to expand their operations. Hence, Monday Morning’s analysis of leading catalytic foundations shows that they use their experience and knowledge to develop and up-scale their activities. In other words, they engage in a long-term process of change.

One example is the Tow Foundation, which started out in its local community with the aim of creating a better social and legal environment for young offenders. Backed by its local experiences, the foundation broadened its activities to the state of Connecticut and now work to implement its project nation-wide.

“We wanted to start out small – in the local community where we could get to know the players and see whether our grants really made a difference. But experience has taught us that it is both possible and important to broaden our perspective and activities if we want to create value for more people – to fund initiatives that have the potential to influence public policy and to have greater impact,” the Tow Foundation’s Director, Emily Tow Jackson, says.

FROM “POWER OVER” TO “POWER WITH”

In catalytic philanthropy, foundations are no longer large donors whose financial generosity is vital to their beneficiaries. Instead, the foundation is a partner which acts side by side with the other partners in the partnership (see text box).

This is because partnerships are crucial in creating an overall impact, as the projects they take on together have a scope, complexity, and duration that they simply cannot manage or take responsibility for on their own.

The use of partnerships is, according to Henrik Mahncke, who is a Research Fellow at Copenhagen Business School’s Centre for Civil Society Studies, essential for the foundations in order to achieve bigger changes.

“In catalytic philanthropy funds are spent collectively and the foundations’ role is in line with the other stakeholders. This reduces the traditional power and dependence relationships between the foundation and their funding recipients significantly. This is necessary when foundations work with major social problems,” he says.

PARTNERSHIPS ON THE WAY FORWARD

Traditional philanthropy does not have a strong tradition for partnerships. Nevertheless, more philanthropic foundations have been seeking collaboration with other stakeholders in recent years. This is indicated in an international survey on attitudes towards philanthropy conducted among 250 of the world’s wealthiest philanthropists by Forbes Magazine and Credit Suisse in connection with the “Forbes 400 Summit on Philanthropy”. The survey shows that half of the philanthropists included in the study found that their engagement in partnerships had increased over the past year – with businesses (40 per cent) and NGOs (28 per cent) being the most popular partners.

In his article “Catalyzing Change to Build Better Lives”, Jeff Raikes, the Bill & Melinda Gates Foundation’s CEO, articulates the need for partnerships based on the logic that foundations should be willing to assist and support the other stakeholders.

“Philanthropy plays an important, but limited, role. We can take risks, move quickly, and help catalyse change. But large-scale, lasting change is ultimately driven and sustained by markets and governments. Our work must therefore strengthen or complement these forces, not compete with or replace them.”

This perspective represents a break from the traditional culture of foundations, because partnerships demand a common strategy and a shared goal. The concept of a partnership limits the individual foundation’s power, autonomy, and self-government, which is in direct conflict with the firmly established tradition of the foundation having the power to initiate, manage, and end initiatives.

“The foundations are used to pursuing a top-down leadership model in relation to their partners. But like in the surrounding society this leadership model is in decline in exchange for a shared leadership practice where the parties are involved in a partnership to lead,” says Matthew Bishop, co-author of the book “Philanthrocapitalism” and business editor at The Economist.

Catalytic philanthropy therefore involves a shift from the extreme hierarchical concept of having “power over” to a more equality-based concept of having “power with”. This means that catalytic foundations develop and adjust their efforts in accordance with their partners and operate with partnership-driven and dialogue-based project >

management, for instance in the form of external advice, ongoing project qualifications and evaluation.

This shift in the power relationship also has implications for the allocation of responsibilities. In traditional philanthropy, the impact of a donation is directly associated with the individual foundation that has provided it. A notable example is the A.P. Møller and Chastine Mc-Kinney Møller's Foundation for general purposes' donation of the Opera House in Copenhagen, where the fierce criticism of both the construction process and the finished result was largely attributed to the foundation.

In catalytic philanthropy the partnership-driven model, whereby the foundation is one of many stakeholders, means that foundations no longer have the sole responsibility, but a co-responsibility for an initiative. For instance, Bill Gates is not directly responsible if the number of malaria infections rises globally over the next year. Nor will TrygFonden, which has introduced a number of preventive initiatives to help improve safety for swimmers along the Danish coastline, be held responsible if the number of drowning incidents begins to increase.

"In catalytic philanthropy, foundations take responsibility for a problem, but it is not the reason for the problem," Henrik Mahncke says.

EXPERTISE IS THE NEW CAPITAL

In catalytic philanthropy, the foundations' capital no longer consists exclusively of monetary donations, but is comprised, to a great degree, of their skills, knowledge, and network in relation to a particular problem. The catalytic foundation's ability to put these problems onto the agenda, use advocacy techniques, involve partners, and contribute with qualified in-house expertise is just as valuable. A growing trend with catalytic projects is that they can be implemented with relatively small donations, but draw heavily on the foundations' own human resources and skills in return.

"It is not the money you invest, but rather the investment of time, competencies, and energy you make that counts. As a catalytic foundation you move away from the desktop work and into the field work – you place yourself in the midst of the development and offer valuable resources. The work of the catalytic foundations is originating from a strong belief that they have something valuable to add besides their funds, that they can offer great value through their position, economy, contacts, and business insights," Leslie Crutchfield says.

The Thomson Reuters Foundation has embraced this shift to the extreme and no longer hands out pure donations.

"Instead, we offer what we are best at: news, information, and connections that allow action. Since we've done that, our impact has grown considerably. I now have 26 journalists at the Foundation covering women's rights, corruption, and humanitarian issues: all issues which are only partially covered by mainstream media and on which we bring a lot

of information. We give information to help people empower themselves and act. In many situations, corporate foundations are in a better position than anyone else to deliver certain services to their communities," its Director, Monique Villa, says.

The emergence of "new capital" in catalytic philanthropy has also changed how catalytic foundations' view the extent of their internal operating costs. Traditional foundations typically aim to reduce these costs, whereas catalytic foundations see an internal strengthening of their employees' skills as an important means of increasing their competence-based capital – and thereby equipping them to up-scale and raise the level of their philanthropic ambitions.

"Traditionally, foundations are typically concerned about how they can hold their internal costs down in order to put as much money as possible aside to make philanthropic donations. But with the development of catalytic philanthropy, foundations have started to accept that their operations will be more expensive because they need to broaden their staff and competence profile. This is a prerequisite for being able to bring added value to the projects and partnerships the foundations enter into," says Lars Bo Pedersen, who is a Senior Analyst at Kraft & Partners, which advises a number of large Danish foundations, and has recently published "Den Danske Fondsanalyse" ("The Danish Foundation Analysis"), which gives an overview of the Danish foundations' activities, and provides inspiration and tools.

THE LONG-TERM PROCESS OF CHANGE

Catalytic foundations do not limit themselves to individual initiatives or projects, but think of themselves as part of the whole value chain – right from diagnosing the extent of the problem through to preparing a strategy and implementing – taking part in research, development, testing, distribution, further development, evaluation, and impact measurement.

"The catalytic foundation commits itself to the long, hard journey. It may well have a number of projects underway with definite end-dates, but in relation to its focus and strategy the foundation's commitment is more long-term," Henrik Mahncke says.

The catalytic approach also demands a lot of patience and a long-term focus.

"You have to be patient. Sometimes change takes time. When you buy blankets to help survivors of a disaster, the impact is very quick. With catalytic philanthropy, the reward is greater but it might be slower too. Also, with the disappearance of grants, less funding is available for local NGOs and fundraising is becoming more and more difficult," Monique Villa says.

In this context, Mahncke notes that the starting point for a long-term catalytic project should be a comprehensive analysis of the problem's scope and characteristics.

"The catalytic foundations' starting point is to understand the problem they're zooming in on by making a

problem diagnosis, and then try to change the cause rather than just treating the symptoms,” he says.

According to Flemming Borreskov from Realdania, the vital force for these types of foundations is, in particular, their approach of taking the long, difficult road towards a process of change.

“We have focused our efforts on a complex problem, where we know the overall solution is a very long way away. But this is what the foundations, by virtue of their exceptional freedom in society, have the opportunity to do,” he says.

THE LEARNING ORGANISATION

The shift from working with funding applications and distributions to being an agent for change has also brought about a change in the catalytic foundations’ internal governance structure. This has included a new role for the foundations’ executives and management, who need to take responsibility for their foundation’s overall operations instead of working behind the scenes as part of its grant-making engine. This involves marking out the guiding structure of a project and leading the process – but also leaving the project’s execution largely up to the employees and external partners. This places new demands on the skills and mindset of the foundations’ executives and management.

The catalytic foundations are therefore working towards professionalising their management structures using the same principles as in the business world – and as such they are moving towards a performance culture based on a range of learning mechanisms and a dialogue-based development and qualification of their work. The catalytic foundation’s work is therefore becoming more learning-based by way of implementing key performance indicators, internal and external evaluations, using external consultants, and focusing on ensuring that it has the appropriate organisation and staff development procedures in place. The catalytic foundations are characterised by their high degree of flexibility, whereby continual adjustments are made in accordance with the experiences they gain.

“The catalytic foundations are basing their work on a strong learning culture. They use their experiences as a platform for their further work and they focus on becoming better at planning, executing and evaluating,” says Leslie Crutchfield.

Lindsay Austin Louie, who runs a program for effective philanthropy in William and Flora Hewlett Foundation, agrees: “We set clear and measurable goals for our philanthropic work, and regularly evaluate and adjust our initiatives to maximise their impact. We evaluate both the foundation and our partners and use external evaluations to drive our future work.”

CEO Jeff Raikes, from the Bill & Melinda Gates Foundation, writes in “Catalyzing Change to Build Better Lives”, that it is essential for foundations to learn and be adaptable.

“We take calculated risks on promising ideas. Some of these risks will pay off, others won’t. But we expect to learn from all of them—and as we learn, we will adjust our strategies accordingly.”

His point reinforces the notion that foundations operate in areas in which solutions are yet to be found, and therefore need to experiment and innovate. Working in partnerships – and with companies in particular – also puts greater demands on the foundations’ speed and flexibility, as they must be ready to change tracks so that they are constantly contributing to the collaboration rather than bringing it to a halt.

“Traditional foundations are not often nimble. We have found that to be responsive to opportunities and actively partner, we cannot make stakeholders wait six months until our next board meeting to give a grant. If a foundation is able to act quickly and work proactively toward problem solving, and be responsive to the partners it works with, there is tremendous opportunity to affect social change,” Emily Tow Jackson says.

ON THE WAY TOWARDS BECOMING A CATALYST

The five basic requirements Monday Morning identified as being essential for success in catalytic philanthropy provide the framework for the catalytic foundations’ work and focus. They are prerequisites for the foundations to be able to work with major issues and generate the optimal value and impact from their work.

Monday Morning’s overview of the foundations shows, however, that many of them are not far enough ahead in these areas to implement the fundamental changes that are needed to carry out a more catalytic approach. When it comes to the five basic requirements, the foundations are operating at many different levels, which suggests that incorporating the catalytic model is a process that takes time, a lot of work, and requires more professionalisation within each foundation.

“Catalytic philanthropy is hard work. Social change takes time and is difficult to achieve. It requires a lot from the foundations and demands a great deal by way of their skills and resources. So it’s not something a foundation just does,” Leslie Crutchfield points out.

A key element of this is developing the skills that will allow the foundations to initiate and drive a process of change as well as involving and engaging stakeholders.

“You can’t just wake up and start working this way. It takes a long and strategic transformation process and the building of a new organisation. It takes the right structure to be a catalyst,” Lindsay Austin Louie says.



The Green Revolution, an initiative implemented by the Rockefeller Foundation, is one of the first known examples of catalytic philanthropy. The project started in Mexico with the cultivation of hardier varieties of wheat and maize, which increased crop yields substantially. The project's success has been followed by a subsequent venture to enhance rice crop yields in Asia.

MARK KRAMER:

"IT TAKES GREAT COURAGE"

Despite there being a growing interest in catalytic philanthropy, the model is still not widely used. For this to change, a number of barriers need to be confronted. This includes clarifying the model's advantages and disadvantages, breaking away from the traditionally closed culture of the foundation sector, and altering the outside world's perception of the foundations' role in society.

Many have declared the catalytic model as the next big thing for the future of philanthropy. However, the model is still not particularly widespread. It is even thought of as an exception within the foundation sector for a philanthropic foundation to operate using a catalytic approach.

"Today, only a minority of the foundations work with catalytic philanthropy – maybe around 10 per cent of the American foundations – the larger ones are especially inspired by the catalytic model," says Mark Kramer, founder and Director of the American consultancy firm FSG and author of a number of academic articles and books on catalytic philanthropy.

The international and Danish experts who Monday Morning has spoken to indicate that the reason for the slow uptake of the model is that there are a range of barriers that prevent the majority of foundations from taking this approach. Firstly, a clear notion of best practice in relation to the catalytic model is still lacking. Secondly, it is a huge challenge for the foundations to go from being donors to becoming agents for change, and it demands considerable rethinking in regard to the foundation's own culture and self-perception. Thirdly, there is a need for change in the outside world's perceptions of the foundations (see figure 1).

MAJOR OBSTACLES

Three barriers to making the transition to catalytic philanthropy

THE TRADITIONAL FOUNDATION



The catalytic model is still under development

The foundation's own culture and self-perception

The outside world's expectations and perceptions of the foundation as a social institution



THE CATALYTIC FOUNDATION

MM **FIGURE 1** *Three main challenges facing catalytic philanthropy can be identified. These are the development of the model itself, the radical transformation required among foundations, and an acceptance from the outside world of the foundations taking on new responsibilities in society.*

Source — Monday Morning.

THE FIRST CATALYTIC PROJECT

Although catalytic philanthropy is a relatively new concept, the philosophy behind the model and its working methods can be traced back in the philanthropic sector.

One of the most well-known projects comprising catalytic elements is “The Green Revolution”, which was initiated by the American Rockefeller Foundation. The foundation’s catalytic focus on Mexico’s food supply resulted in millions of lives being saved in less than two decades and American agronomist Norman Borlaug, who was behind the project, being awarded a Nobel Peace Prize.

Back in 1943, the Rockefeller Foundation launched a philanthropic venture against the increasing food shortage in Mexico. The country was far from self-sufficient at that time, and over half of the wheat and most of the maize its people consumed was imported.

The Rockefeller Foundation embarked on an ambitious and long-term venture based on agricultural development, broad partnerships, and a distribution of new knowledge and concepts. First, it put together a group of agricultural experts which, led by Norman Borlaug, was sent to Mexico and worked for over two decades on developing hardier crops. Second, the foundation estab-

lished a cooperation with the ministry of agriculture in Mexico with the aim of ensuring a direct transfer of knowledge and that their officials were sufficiently trained. Third, the foundation launched “The Scholarship Program”, which enabled Mexican agronomists to study at leading American universities.

The result was remarkable. By 1956, Mexico was already self-sufficient in its wheat production – and it has been so ever since. The expert group also developed a new variety of maize which quadrupled its yield per hectare between 1948 and 1970.

In 1950, the Rockefeller Foundation set up similar programmes in Colombia, and the model was later transferred to a number of South American countries.

The concept behind the program has since evolved into a large-scale project to develop rice crops in Asia – including India. Today it is estimated that “The Green Revolution” has saved approximately one billion lives.

In 1970, Norman Borlaug was awarded the Nobel Peace Prize for his achievements in developing new crops in Mexico, which in turn led to greater stability in the country’s food production as well as in its political landscape.

FROM GOOD EXAMPLES TO GENERAL PRACTICE

The catalytic model is, with some exceptions, a relatively new phenomenon (see text box). Experience with the model is therefore limited. Although several good examples can be found showing how catalytic philanthropy can work in practice, there are still parts of the model that have been relatively unexplored. Therefore, there is still a lacking in knowledge and documentation about how a catalytic foundation can generate optimal value from its efforts.

“It is a model that is still under development, for example, in relation to evaluating impact. In recent years, there have been good examples of catalytic foundations showing the way and becoming much better at documenting the value of their work. But we’re still lacking a full overview of what this type of philanthropy can actually do,” says Matthew Bishop, Business Editor of The Economist and co-author of the book “Philanthrocapitalism”.

According to Monday Morning’s comprehensive overview of the model, there are four challenges in particular that need to be addressed for the approach to gain further ground among philanthropic foundations:

The suitable project. Catalytic philanthropy is not a model that completely replaces all other approaches to philanthropic work, but rather one that can be useful in relation

to some issues (but not others). In broad terms it can be said that catalytic philanthropy is targeted towards creating social and societal change, but a more concrete description of “the suitable catalytic project” still does not exist.

Structuring the project. The catalytic model requires foundations to adopt a new mindset and a new way of working. However, there are still few well-documented and accessible guidelines for how a foundation’s catalytic work can be organised in practice. There are a number of good examples of foundations that have found their own way in the catalytic approach, but the development and documentation of replicable best practices is still in its infancy.

Model for partnerships. A central aspect of catalytic philanthropy is the foundations’ engagement in partnerships with other stakeholders. But opportunities to establish partnerships with citizens, businesses, interest groups or public authorities are still evolving. Therefore, there is limited knowledge about how a good partnership can be organised in terms of labour, responsibilities, and objectives. Hence, there is a great need to devise clearer models that can guide the foundations in their collaborative work and partnership structures. An example of this type of initiative is the European Foundation Centre (EFC) and FSG’s

publication “Multiplying Impact through Philanthropic Collaboration”, which identifies five factors that are essential for philanthropic partnerships to create the most impact from their collaboration (see figure 2).

Project outcomes. Several of the catalytic foundations are working with different methods of measuring the value of their philanthropic efforts. However, many are still battling to determine what they should measure. Broad aims such as “public utility” and “social change” are, by nature of their scope, difficult to define and measure. Further complicating the matter is the tendency for catalytic projects to be long-term ventures. For example, how and when should you measure the positive and negative effects of increasing learning hours for teenagers at school? The Bill & Melinda Gates Foundation has always led the way by having a strong focus on analysing, measuring, and monitoring the impact of their philanthropic investments, and several other funds are following suit. But an accessible and replicable model for measuring the philanthropic success of catalytic investments is still missing.

However, according to Matthew Bishop, the frontrunners among the catalytic foundations have taken important steps in recent years towards being able to qualify their work – and they are therefore in the process of laying the foundation for a well-documented and effective model for philanthropic work that others can emulate.

“The catalytic foundations have gained a greater under-

standing of how the model works. Ten to fifteen years ago, few could explain what catalytic philanthropy amounted to in practice. The foundations have a much better picture of this today. They are developing and continually making adjustments to their work,” he says. ”

FOUNDATIONS MUST DARE TO TAKE RISKS

It takes courage and a willingness to take risks to make the transition from being a donor to becoming an active agent for social change. It requires foundations to reconsider their self-perception and expertise. But are they ready to do this? And are they able to do it?

“It takes great courage for a foundation to pursue this path. It is a brand new field and a new approach to being a philanthropic foundation. It takes for them to rethink the conventional idea of a foundation and try to redefine themselves – having a new position in society,” Mark Kramer says.

Matthew Bishop also points out that this is a considerable barrier for a majority of foundations:

“Foundations have, by virtue of their particular make-up, a unique opportunity to run great risks in connection to their work – and catalytic foundations are doing this to a great extent. Many established foundations are sceptical about working in this way. They simply do not dare to take on the risky projects,” he says.

Foundations also need to be more active and visible in order to carry out the catalytic approach. This is illustrated by the way in which the current catalytic foundations communicate. They use strategic communication as a means of

THE SUCCESSFUL PARTNERSHIP

Five essential factors in establishing successful partnerships

	OPENNESS TO COLLABORATION	RECOGNITION OF OPPORTUNITIES	ENGAGEMENT OF PARTNERS	PLANNING AND SETUP	IMPLEMENTATION AND UNFOLDING
<i>Description</i>	Foundations should be open to and conscious of collaborating with others	Successful partnerships are driven by specific needs and opportunities	The resources and schedule should be based on a shared vision of the working relationship	A time-bound strategy, project plan and clear division of labour are essential	Dedicated project management and ongoing evaluations are central to the process
<i>Critical factors</i>	<ul style="list-style-type: none"> • Recognition of the value of partnerships • Specific objectives to seek out and build partnerships • Openness to new ideas and approaches 	<ul style="list-style-type: none"> • Experience from own programmes • Analysis of opportunities and needs • Information on partnership opportunities 	<ul style="list-style-type: none"> • Shared vision and targets for success • Flexibility and willingness to compromise • Ability and time to build relationships at all levels (management, project programme) 	<ul style="list-style-type: none"> • Effective strategy and evaluation design • Time-bound objectives • Realistic and well-designed project plan • Clear division of labour 	<ul style="list-style-type: none"> • Dedicated project management • Evaluation and compilation of experiences in relation to project outcomes and collaboration

FIGURE 2 Five essential criteria in ensuring the best results from partnerships between philanthropic foundations and other relevant stakeholders.

Source — Multiplying Impact through Philanthropic Collaboration, EFC and FSG.



generating greater impact through, for example, advocacy techniques and lobbying, and documenting the impact of their work. According to Henrik Mahncke, a Research Fellow at Copenhagen Business School's Centre for Civil Society Studies, a greater degree of transparency is necessary for foundations to gain influence and maintain the legitimacy to drive social developments.

"For foundations to step in and act as social developers they need to communicate explicitly and give clear explanations of what they are doing. The foundation's purpose, working processes, and objectives must be made visible to the public. Otherwise the foundation's motives might come into question," he says.

The demand for more transparency in the foundation sector is in direct conflict with the sector's traditionally closed culture. An overview of Danish foundations' transparency in an analysis produced by the consultancy firm Kraft & Partners (Den Danske Fondsanalyse 2012), shows that only 19 of the larger foundations have made their annual reports available to the public, only 8 are fully transparent in regard to their strategies and organisational plans, and only 2 give information about their future distribution of funds. The analysis shows that the foundations are particularly closed in relation to their organisation and economy (see figure 3 on pages 46-47).

"A shift towards greater openness is taking place among the Danish foundations. More and more foundations are realising that transparency has gone from being an option to a necessity. But it is still a long way from being an 'open foundation sector'," Kraft Partners' Senior Executive Lars Bo Pedersen stresses.

According to Pedersen, Denmark's case is no exception on the global scale:

"Foundations around the world have a long tradition of operating behind closed doors and keeping themselves out of the media and public spotlight. This will take some time to change," he says.

According to Mark Kramer, this is due to the foundations' reluctance to enter into public debate:

"The philanthropic foundations basically like to be retracted and invisible. It takes courage to enter the public space where one risks ending up in the middle of a public controversy, having to explain and defend oneself," he says.

The foundations' traditional working methods are also a barrier. There is a strong tradition in the sector for foundations to work on their own rather than engaging in collaborations and partnerships. Partnerships are a necessity in catalytic philanthropy as a means of reaching the goal to trigger major social changes.

"Our sector's internal culture and organizing principles can be tremendous barriers to this approach. Typically, foundations are led by boards and executives who are used to being in control of processes and acting independently. The catalytic approach takes much more openness toward

listening to other stakeholders, embracing their knowledge, and integrating it into collaborative decision making," says Emily Tow Jackson, CEO of the American family foundation The Tow Foundation.

In addition, the foundations' working process to a great extent is currently based on receiving applications and determining who will receive funding, which is decided at annual or semi-annual board meetings. In catalytic philanthropy the foundations, as partners, are actively involved in this process all the time, as they cannot postpone collaborative decisions until the next time their own board meeting takes place.

Finally, the catalytic model demands greater effort from the foundations. Being a partner rather than a donor requires an enhancement of in-house knowledge and expertise. In other words, the foundations need to develop an entirely new skill capital, in which knowledge and experience are used to replace traditional forms of donations.

"It takes a new set of competencies to work with this kind of philanthropy. It requires a strategic development of the foundation's organization – we need suitable organization and suitable leadership," says Lindsay Austin Louie, Program Officer at the Effective Philanthropy Group at The William and Flora Hewlett Foundation.

LEGITIMACY OF FOUNDATIONS

A few years ago, Realdania was the subject of a veritable media storm when a series of critical stories focusing on the ways in which they collaborated with their partners were published. The Bill & Melinda Gates Foundation is also often criticised for confusing their philanthropic interests with their professional ones.

These examples of public criticism raise the question of whether a foundation, as a non-democratic body, has the legitimacy to take a more central role as an agent of change, and it underlines the importance of the public putting its support behind a more active and co-creative foundation sector.

Should the range and focus of what the catalytic foundations engage in be increased, it will demand a broader public acceptance of the foundations' new, more active role of tackling issues that are normally handled in the public and private sectors.

"When a foundation wants to address major societal challenges there should be no resistance and scepticism from the outside world in order for the work the foundation does to have real value," says Leslie Crutchfield, Senior Advisor at FSG and co-author of the book "Do More Than Give", which is one of the first books to analyse perspectives on the catalytic philanthropy model.

This requires the foundations to orient themselves towards the outside world – and increases their need to reflect on how they appear externally. Several prominent foundations in catalytic philanthropy therefore place a strong emphasis on how they can satisfy public expecta-

tions by regularly documenting and disclosing the impact of their investments.

“When we at TrygFonden want to improve patient safety in Danish hospitals, we need support from both the public and our partners – including public authorities, the hospital staff, and the patients. Otherwise, we run the risk of losing the legitimacy to enter into this field, and of the project stalling and not having any value. Therefore, it is crucial for the public to have a clear idea about our role and the purpose of our project,” TrygFonden’s Director, Gurli Martinussen, says.

However, it has to be said that the outside world’s view of foundations is already changing. The extensive economic pressure being placed on society has called for new funding opportunities, and this is where the foundations, with their considerable fortunes, are seen as natural candidates. Therefore, they cannot afford to retreat away from the public’s growing demands if they want to maintain their free position in society.

This means that, according to Henrik Mahncke, the foundations need to come forward and clarify what kind of value they can contribute to society:

“The foundations can obtain a great deal of legitimacy and support in terms of being societal developers if they clearly communicate what they’re doing and what the purpose behind their activities is. There are not many people who would say they are opposed to the idea of doing something for the public good, so it is up to the foundations to explain to the public what this actually entails. This calls for greater openness about what they are doing and the policies they are basing their work on,” he says.

A number of studies indicate that the public has very little knowledge about what philanthropy and civil society are. Among people who are aware of philanthropic work, there does not appear to be great confidence in how the foundations are using their money. According to a study in the American non-profit entrepreneur Dan Pallotta’s book “Charity Case: How the Nonprofit Community Can Stand Up for Itself and Really Change the World”, only 17 per cent of Americans think that charitable organizations are doing a good job. Only 10 per cent believe they are spending their money wisely, whereas 70 per cent have such a low estimation of the organizations’ work that they

believe they are wasting a large proportion of their funds.

According to Realdania’s Director Flemming Borreskov, this lack of knowledge and confidence among the public represents a significant risk for the foundations:

“We need to make people aware of the value that foundations can contribute. People need to know exactly what we are doing and what we expect the impact of our work to be. Otherwise, we run the risk of the outside world revolting against us. This can result in limited cooperation and more control, and it will hinder our opportunities to become co-creators of social development,” he says.

THE WAY FORWARD

According to Henrik Mahncke, for catalytic philanthropy to become the future of the foundation sector, it is essential for all of these barriers to be confronted:

“This is important for catalytic philanthropy and for the foundations in general. The more traditional understanding of what foundations can and should contribute needs to be challenged, as it is still a major obstacle preventing the foundations from gaining the most impact from their investments,” he says.

According to Matthew Bishop, the existing catalytic foundations can, to a large extent, drive this process forward and inspire – even push – others to follow suit.

“The catalytic foundations represent an entirely new way of thinking. They also contribute some tangible results that foster an anticipation of them being able to do more than what the majority can deliver today. This could pave the way for a new foundation culture that other foundations will also be obliged to adopt,” he says.

According to Bishop, catalytic philanthropy is not just a manifestation of some foundations’ decision to take their own initiative and go their own way. It is also the consequence of the transformation of their current position in society – and on the rising demands on the foundations to legitimise their activities.

“It is in the cards that foundations will have to take greater social responsibility. There is a need for their resources and for actors who can make the type of investments that the foundations are capable of offering. Therefore, there is a pressure on the foundations to move towards the catalytic model,” he says.

The 44 Danish foundations' transparency in 2012 – measured on communication of 26 issues within five main areas

FIGURE 3 *An analysis of transparency among Danish foundations reveals a foundation sector that is still closed to the outside world viewed on several parameters – the foundations choose not to communicate about a number of areas of their work.*

46 CATALYTIC PHILANTHROPY

FRONTRUNNERS DETERMINE THE FUTURE OF CATALYTIC PHILANTHROPY

The next 10 years will be a decisive period for the future of philanthropy. Megatrends such as global crises, upheavals across various sectors, and globalisation create the need for new agents who can drive society's development in the future. This is why catalytic philanthropy could emerge as the dominant model in the broader foundation sector. Its success is not a foregone conclusion, but will depend on the frontrunners in the field continuing to document the model's value, as shown in Monday Morning's strategic analysis.

The William J. Clinton Foundation holds meetings with world leaders in order to raise the level of political ambition in the fight against climate change. The small, family-run Tow Foundation aims to improve conditions for juvenile offenders in American society. The Mo Ibrahim Foundation wants to enhance political leadership in Africa. These examples from modern philanthropy suggest that something big is happening in the philanthropic foundation sector, and that the prerequisites for operating as a philanthropic foundation are about to change dramatically.

In recent years we have witnessed more foundations saying goodbye to traditional philanthropy and exploring new avenues for their philanthropic work. This has given the concept of philanthropy a strong renaissance by shelving traditional patronage, paternalism, and power relations in favour of a modern interpretation of philanthropy as ways of being proactive in the community and giving rise to innovative initiatives. This rethinking of the foundations'

position and duties in society has resonated throughout the entire philanthropic sector, because it points to a new direction for the future of philanthropy.

This wave of change has not come out of the blue. Megatrends such as global crises, sector upheavals, and globalisation have changed the rules that govern the philanthropic sector, whilst creating favourable conditions for growth in catalytic philanthropy.

"Within the next generation, catalytic philanthropy may become the most common practice in philanthropy, which will mean a general shift from the traditional donor role to that of a catalyst," says Leslie Crutchfield, Senior Advisor at FSG and co-author of the book "Do More Than Give", which is one of the first books to analyse perspectives on the catalytic philanthropy model.

Matthew Bishop, co-author of "Philanthrocapitalism" and Business Editor at The Economist, agrees that the future looks bright for catalytic philanthropy:

"The philanthropic sector has been under tremendous

4D FORESIGHT – CATALYTIC PHILANTHROPY

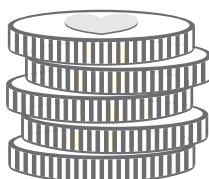
4D Foresight analysis of the megatrends, events, values and attitudes that affect the catalytic model today and are expected to do so in the coming years.

MEGATRENDS

- * Tight economy – empty treasuries and businesses operating in the red shape the global situation
- * Accelerating global crises such as the health crisis, climate change, and resource crisis looming on the horizon
 - * More wealthy people, more philanthropists
 - * Increased globalisation
 - * A radical sector upheaval
- * Social media captures the philanthropic sector

VALUES

- * The philanthropic foundations contribute to considerable social development
 - * Public utility means more than just opera houses
 - * Those who can afford to contribute, should contribute
 - * Those who are best equipped to run an individual project, should run the project
- * We must maximise the impact of our investments



EVENTS

- * EFC conference in Copenhagen – including a session on catalytic philanthropy
- * Members of the Giving Pledge to meet again in 2013 to discuss the future of philanthropy
- * The front-running catalytic foundations' annual reports and impact measurements
 - * Can a model for measuring public utility be found?
 - * Decline in cases of malaria, diphtheria, and meningitis in developing countries
- * New legislation on increased control over foundations in Denmark – drawing inspiration from the American model

ATTITUDES

- “There could be increased scepticism of the foundations which may cost them some of their legitimacy.”
- “There is a need for free resources in society.”
- “Foundations can drive innovation.”
- “Philanthropy now has the momentum.”
- “It's not about who solves a problem, but who solves it in the best and most effective way.”
- “The front-running catalytic foundations' success can lead other foundations into the same direction.”
- “The foundations' existence is based on their ability to contribute with something other than what the public and private sectors can offer.”
- “Documenting impact is essential for the future of philanthropy.”
- “We are role models for the future of philanthropy.”

ABOUT 4D FORESIGHT

The above analysis is based on the forecast model 4D Foresight – a strategic analytical tool used to predict tendencies and trends that could shape the future of a particular actor, institution, or industry.

The model consists of four dimensions – megatrends, events, values, and attitudes. Collectively, they form the framework of the institution, person, or industry in focus.

Megatrends include the most important secure and less secure trends that will have an impact on catalytic philanthropy in the next 0-10 years.

Events consists of the key existing or planned events affecting catalytic philanthropy in the next 0-5 years.

Values are the overarching values in society that will influence catalytic philanthropy in the next 0-10 years.

Attitudes are the dominant positions held in public opinion today.

FIGURE 1 The future of catalytic philanthropy takes shape as an intersection of megatrends, events, values, and attitudes. Catalytic philanthropy has great potential to assert itself as a model for the majority of the international foundation sector.

Source — Monday Morning.

development in recent years, and the next 10 years will be critical to how it will look in the future. The philanthropic foundations can fundamentally redefine their position and role in society and become drivers of change on a whole new level. Therefore, the catalytic model could well become common practice in the philanthropic sector,” he says.

According to Monday Morning’s strategic analysis, which is based on the 4D Foresight forecast model, this promising future is dependent on whether the current catalytic foundations can continue to demonstrate that the model provides new opportunities for their philanthropic work (see figure 1 on page 49). The analysis is based on a coupling of the megatrends, events, values, and attitudes that will have an impact on catalytic philanthropy over the next 10 years.

A BRIGHT FUTURE

According to Monday Morning’s strategic analysis, there are four trends in particular that present favourable opportunities for the future of catalytic philanthropy: the global risk landscape, the flourishing of philanthropy, a radical sector upheaval, and increasing globalisation.

The global risk landscape. All signs are pointing towards the next 10 years being characterised by extreme turbulence and growing complexity. The global risk landscape is characterised by seven major global crises – including climate change, global health, and poverty – which are constantly reinforced and intertwined by a complex dynamic interplay in which development in one area can rapidly change the fundamental conditions of another. This poses entirely new demands for societies worldwide to come up with coherent answers and cross-border solutions.

The demand for innovative solutions conflicts with a dire financial situation that is likely to persist in the global landscape in the coming years. Countries around the world picture the following decade as one that will be characterised by a tight economy and a vast hunt for free resources. America’s growing economic imbalances, the eurozone’s debt crisis, and downsizing in several large global businesses are just some examples indicating that the global economy is under massive pressure.

Therefore, the philanthropic foundations that possess considerable assets which are not tied to either government spending or corporate bottom lines, can play a key role in

INCREASING WEALTH

Growth in the proportion of private wealth in different regions of the world and globally (in trillion US dollars)

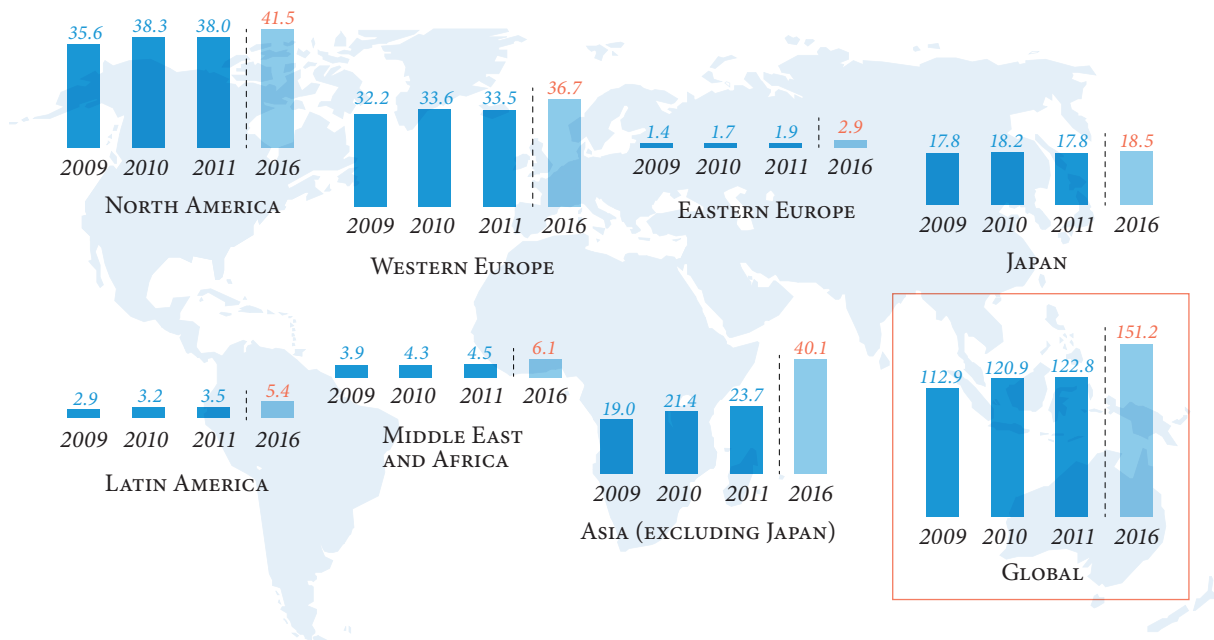


FIGURE 2 The proportion of wealthy people is expected to increase significantly worldwide by 2016. This will create good conditions for philanthropy in the coming years.

Source — BCG, Global Wealth Market-Sizing Database, 2012.

the development of new sustainable solutions that can drive the necessary changes.

“Free resources will be in extremely short supply in the coming years. This makes the foundations’ money an attractive injection of capital that can be used to lift and develop our society,” says Matthew Bishop.

The flourishing of philanthropy. The Economist has often described the 2000s and 2010s as a potential golden age for philanthropy. This diagnosis is based on three developments. The first is an expected increase in private wealth and the number of wealthy people around the world (see figure 2). As the past few decades have shown, the world’s richest people tend to give a portion of their wealth back to their communities through philanthropic activities, so a rise in the number of wealthy people is likely to lead to more philanthropic activity.

Secondly, the number of philanthropic foundations is growing. The number of charitable organisations operating in Denmark, for example, has risen from approximately 10,000 to 14,000 in the past 20 years. In Germany, the average yearly increase in the number of foundations has grown from 200 in the 1990s to 800-900 in the last 10 years. And there’s nothing to suggest that this trend will change in the coming years. Thirdly, there has been a significant rise in the amount of money that the foundations have donated (see figure 3).

Another important element of philanthropy’s resurgence is the emergence of a new generation of philanthropists, led by the most prominent frontrunner of a much more visible form of philanthropy, Bill Gates. Initiatives like The Giving Pledge, which has spread like ripples in water, have set new standards for visibility in recent years as well as attracted a great deal of attention. This new generation of philanthropists also demonstrates an entirely new approach to the role of being a philanthropic foundation.

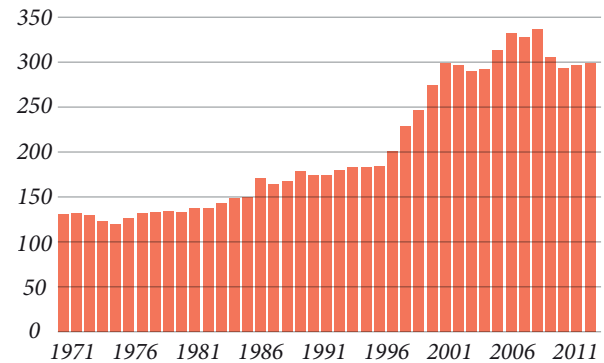
“They are not bound by old dogmas and the historically based perception of ‘business as usual’, but are putting themselves on a completely different path. They become philanthropists at an early age and are therefore moving away from the bequeathed model of philanthropy, whereby donations are awarded by the descendants of rich empires. After Warren Buffett, Mark Zuckerberg was America’s largest private philanthropist last year. He is only 28 years old. And they’re very good at generating awareness and consciousness about their work so they are likely to set the scene for philanthropy in the coming years,” says Henrik Mahncke, a Research Fellow with the Copenhagen Business School’s Center for Civil Society Studies.

Realdania’s Director, Flemming Borreskov is in no doubt that philanthropy has undergone a considerable resurgence:

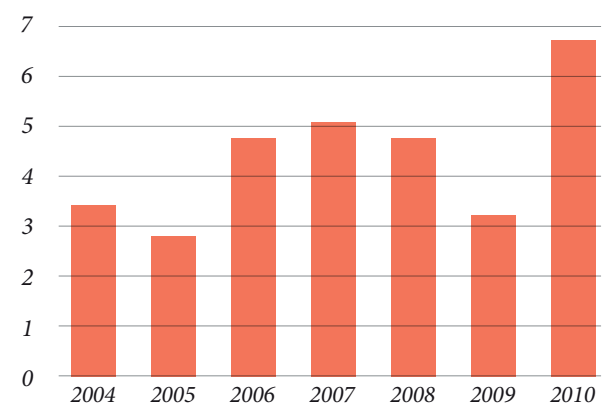
“We have been in a slumber for 100 years. But now the foundation sector has finally woken up and it is about to re-discover its former glory as a sector that can contribute with

INCREASED FUNDING ALLOCATIONS

Donations from American foundations, 1971-2011, billion dollars (adjusted for inflation)



Donations from Danish foundations, 2004-2010, billion DKK



MM **FIGURE 3** Donations issued by foundations have increased significantly over the past years. In the United States, the foundations’ collective donations have increased by more than 100 per cent from the 1970s to today.

Source — Giving USA 2012 and Den Danske Fondsanalyse 2012.

something other than what society’s other institutions can provide. This will help to bring about substantial change and positive development in the coming years,” he says.

A radical sector upheaval. The Levi Strauss Foundation supports the establishment of schools in Bangladesh in the vicinity of its own factories. The Starbucks Foundation uses social media to let their customers decide what their donations should be put towards. And the Bill & Melinda Gates Foundation helps authorities in developing countries to negotiate long-term agreements with vaccine manufacturers. All three examples illustrate that philanthropy’s core focus

areas and working practices are under transformation, and philanthropy in its classic, pure form – donations issued by foundations to beneficiaries – is on the way out. In catalytic philanthropy, work is carried out through partnerships and the boundaries between public, private, citizens, businesses, and foundations are dissolved. The focus is on cross-sector collaboration involving stakeholders from all parts of society working together to solve problems, guided by the belief that to achieve the greatest possible impact there must be cooperation across society's silos (see figure 4).

"Dissolution is occurring in global perceptions of the foundation sector. This can be seen, for example, in the growing number of tasks typically handled in the public sector that foundations or businesses now have the opportunity to take on. This is the result of an emerging understanding that it is not about who handles a task, but who can handle it best," says Henrik Mahncke.

He points out that in the coming years, the foundations' primary role will continue to be to experiment and innovate, but in cooperation with other stakeholders in society. He mentions "Hackathons" as an example of the future of innovative collaboration between foundations and public/private partners. The concept is derived from the software world, where it is a term for events in which software designers, programmers, sociologists, designers, and others come together to develop interdisciplinary solutions to specific focus areas over the course of an intensive weekend:

"My guess is that we will see more of these types of problem solving forums where public, private, and philanthropic representatives join forces to discover new solutions and, as a result, the philanthropists will move further away from the traditional donor role into a more innovative and interactive one," he says.

The break from the prevailing silo mentality has been a massive trend in recent years, and companies worldwide deal with corporate social responsibility (CSR).

This can be described as what Mark Kramer, founder and Director of the American consultancy firm FSG, calls "shared value" – meaning that companies and other private investors can make a positive social impact while at the same time making a positive contribution to the bottom line.

An example is the United Nations' Global Compact, which in only a few years has become the world's largest sustainability initiative, bringing businesses and citizens together to create a more sustainable world.

Since it was launched in 2000, the initiative has grown to encompass more than 10,000 companies and other stakeholders from more than 130 different countries. The companies' motives for participating are both to contribute to promoting greater sustainability and to use the initiative as a platform for their image management.

Mark Kramer writes in an article titled "Creating Shared Value" in Harvard Business Review that capitalism is "un-

A COLLABORATIVE EFFORT

Five requirements for cross-sector collaboration

A COMMON AGENDA *All partners must have a shared vision for change, which includes a common understanding of the problem and a common approach to solving the problem through the agreed initiatives.*

A COMMON GOAL *Data collection and result measurement should be consistent and uniform in order for all partners to ensure that their efforts remain aligned and that they can hold each other responsible.*

MUTUALLY REINFORCING ACTIVITIES *The partners' approaches should be differentiated, but at the same time coordinated through a mutually reinforcing action plan.*

CONSTANT COMMUNICATION *Consistent and open communication is a prerequisite for building trust, ensuring common objectives, and fostering a shared motivation.*

A SOLID FOUNDATION *Creating and driving a collective impact requires a solid foundation, consisting of employees who possess a specific set of skills, who stand behind the entire initiative and coordinate the participating organisations and authorities.*

MM **FIGURE 4** *Five criteria provide the framework for future philanthropic partnerships.*

Source — FSG, Stanford Social Innovation Review, January 2013.

der siege", and predicts that it will be reinvented into a version that gives the concept of returns not only an economic but a social character.

"Currently, there is a shift towards combining capitalistic thinking with a larger degree of social and societal awareness. This results in more private sector actors moving into the field of societal development and, further, that 'doing good' becomes an important part of their bottom line," he elaborates.

This combination is also seen as an opportunity for philanthropy. Members of the Giving Pledge speak of it as "impact inventing", which is the current buzzword in the debate on the future of philanthropic foundations. The idea behind the concept is that the foundations would be willing to engage in philanthropic collaborations if they com-

bine commercial objectives connected to their profits with a focus on creating social change.

Increased globalisation. The examples of Levi Strauss Foundation, Bill & Melinda Gates Foundation, and Starbucks Foundation also indicate that the future of philanthropy will have a global perspective. This has also been witnessed in the increasing amount of American funds donated abroad in recent years (see figure 5). The vast majority of foundations still work locally or nationally. In 2010, 1,330 of the largest American foundations sent money abroad, according to the “International Grantmaking Update”, prepared by the American Foundation Center. Several of the experts Monday Morning spoke to predict that in the coming years foundations will have a growing regional and global focus.

“Today’s societal actors are globally oriented. This goes for both companies as well as an increasing number of foundations,” Mark Kramer says.

He believes that social media will be an essential driver of this development:

“The internet and social media create greater visibility and awareness of the state of the world – they enable the philanthropic sector to act more globally. This creates a tendency among the foundations to focus less on problems in their own backyard, but rather on global issues,” he says.

The globalisation of the philanthropic sector has also occurred due to its flourishing status and expansion into new

GLOBAL PHILANTHROPY MOVES AHEAD

Share of donations from the 1,330 largest American foundations to causes abroad, among the foundations that donate funds abroad, per cent.

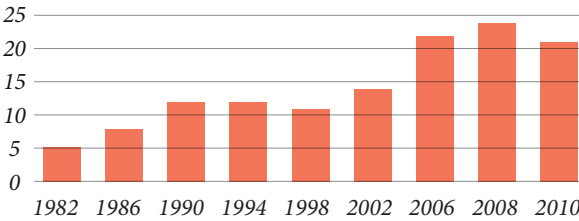


FIGURE 5 There has been an increase in the share of funds donated abroad by American foundations over the last 20 years.

Source — The Foundation Center, International Grantmaking Update, 2012.

regions around the world. This has been the result of, among other things, increasing prosperity in Asia, Africa, and Latin America, and an increase in the number of millionaires and billionaires worldwide. Past experience shows – as mentioned – that this will bring more money into the philanthropic sector. This prediction is supported by Forbes Magazine and Credit Suisse’s study of 250 of the world’s wealthiest philanthropists’ perspectives on the future of philanthropy.

A NEW FRAMEWORK FOR PHILANTHROPY

General rules applying to the old and new models of philanthropy

OLD PHILANTHROPIC MODEL	NEW PHILANTHROPIC MODEL
Become a philanthropist late in life	Be a philanthropist throughout your entire life
Social change comes from the non-profit sector	Social change comes from all sectors
Philanthropists act on their own	Philanthropists work with others
The philanthropist is an old, white man	A philanthropist can have many faces
Philanthropists seek public utility as donors	Philanthropists seek public utility as partners
Philanthropists focus their work on local problems	Philanthropists act locally, regionally, nationally, and internationally
Philanthropists’ communication is limited and delivered primarily through traditional channels of communication, such as letters	Philanthropists have a targeted communications strategy which extensively utilises social media
Impact measurement is an unused tool	Impact measurement is unavoidable
Philanthropists operate at an arm’s length	Philanthropists are right there where the changes are happening
Philanthropists “do good”	Philanthropists create social change

FIGURE 6 In the coming years, the international foundation industry will be characterised by new general philanthropic rules that will radically change the manner in which the foundations operate.

Source — Looking Out for the Future and Monday Morning.

45 per cent of the respondents said they expected Asia's culture of giving to grow significantly, and 50 per cent of the Latin American respondents estimated that a culture of giving in their region would increasingly become a social norm and even an expectation.

The same trend can be seen in the development of The Giving Pledge. What started out as an American initiative has become a worldwide philanthropic model which some of the wealthiest people in Asia, Latin America, and Europe have joined. Its latest member is Africa's first philanthropist, Patrice Motsepe, who is also South Africa's first black billionaire.

The four trends of development will create entirely new conditions for philanthropy in the next 10 years. This will be met with new needs and demands that will contribute to defining new frameworks, guidelines, and opportunities for the philanthropic foundations. This could pave the way for a showdown with the sector's traditional "business as usual" approach (see figure 6 on page 53).

Despite these significant developments suggesting that catalytic philanthropy has a bright future, it is not certain that the model will suit or serve everyone. It will require a higher degree of documentation for the model to be considered as an effective approach to philanthropy. This is what makes the foundations currently leading the way in catalytic philanthropy vital to the overall picture.

"A number of large and highly visible foundations have placed themselves at the centre of the debate over the future of philanthropy. They have become advocates for the catalytic model and there is great interest in their experiences with this approach," Matthew Bishop says.

Bishop believes that the crucial factor will be their ability to document and measure the impact of their investments.

"If the catalytic foundations can document that their work is on another level in regard to their impact and

value, it will give a positive impression of the model. So if they can continue to achieve positive results it will inspire others to follow suit. If this doesn't happen, there is a risk that the model will be written off as a fad. It's not just about telling people you're a catalytic foundation, it's about demonstrating how you work and what sort of impact you're getting out of the model," he says.

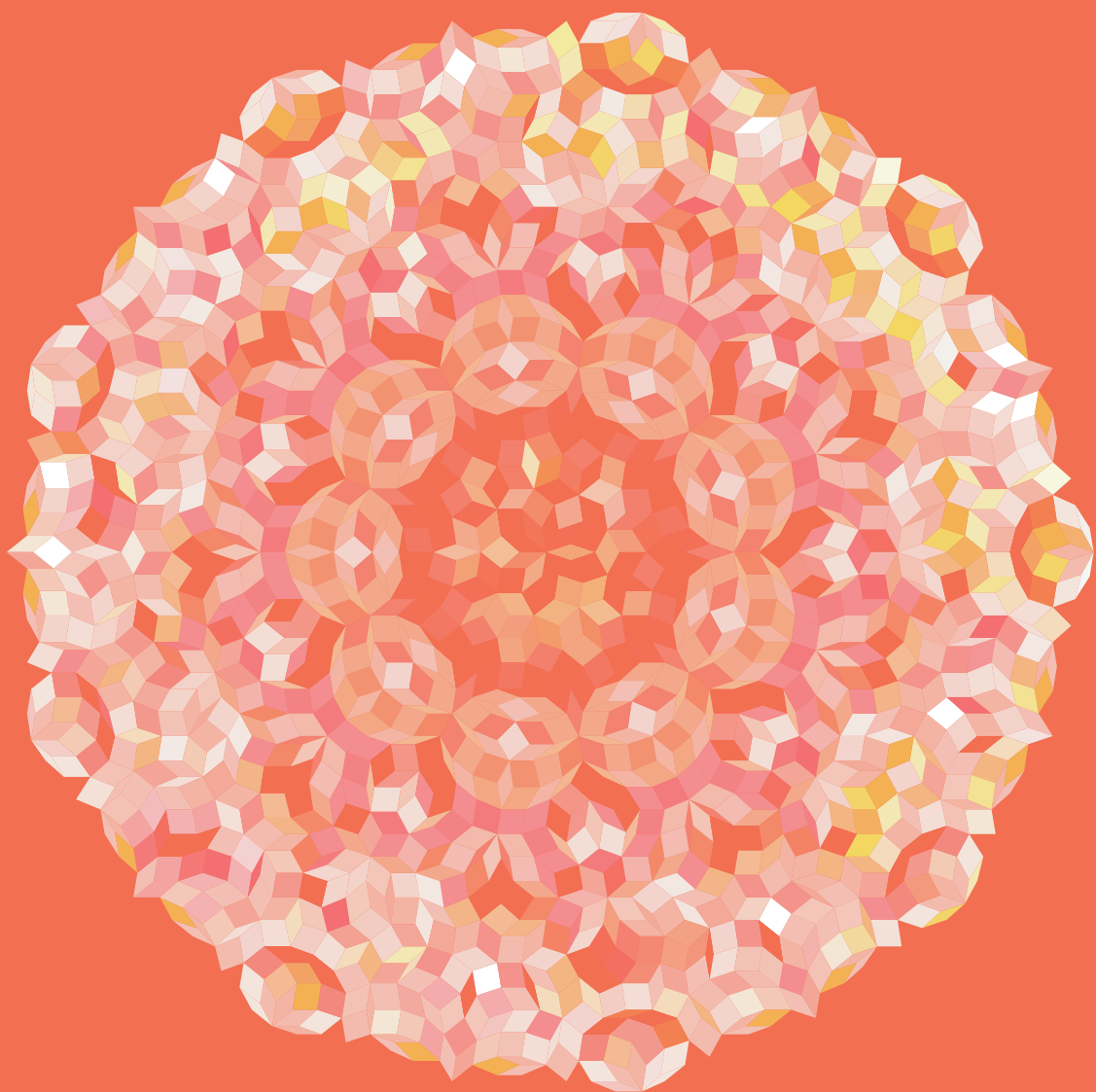
The foundation sector also recognises that there is a need for role models in philanthropy. Correspondingly, 58 per cent of the respondents in Forbes Magazine and Credit Suisse's study indicate that they set an example for future philanthropists.

But in the coming years, the catalytic foundations should not just be ambassadors for a new model of philanthropy, but be prepared to strengthen the philanthropic sector throughout the world. A number of studies show that the general public knows little about what philanthropy is. An American study also indicates that the public has little confidence in what philanthropic foundations are doing.

At a time of economic strain and financial crisis, there is a risk that this negative image will be enhanced. Therefore, the foundations' abilities to prove their worth and impact is becoming increasingly important. In this sense, the catalytic ambassadors, who are focusing on achieving convincing results and presenting them to the public, could well prove to be lifesavers for philanthropy.

However, most believe that the next decade will pave the way for catalytic philanthropy as a model for "the many". If it does, this will represent a paradigm shift in the philanthropic sector, as Leslie Crutchfield suggests.

"In the coming years traditional charity will still be needed and not all foundations have the possibility and the competencies to go down a more catalytic path. But we are witnessing a paradigm shift within the philanthropic sector – from classic donor to agents of change," she says.



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